

In The Trenches_ Conversation with Michael Horowitz

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SPEAKERS

Speaker 1, Michael Horowitz, Steve Divitkos



Michael Horowitz 00:00

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Steve Divitkos 00:40

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Speaker 1 01:21

Hello everyone, and welcome to another episode of In the Trenches. I am your host. Steve Divitkos, I'd like to begin today's episode with a quick poll. In any given year, how many graduates of Harvard Business School elect to go into the chicken wing business? How many decide to open a restaurant? Well, my guest today did exactly that, and after an ownership period of five years, now has a hugely successful exit under his belt as a reward for those efforts.

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Steve Divitkos 01:48

The specific form of entrepreneurship that led Michael Horowitz to financial freedom is one that remains under discussed and under explored within the small business community, yet for the right person, could represent a highly lucrative opportunity with several built in risk mitigation mechanisms. I'm speaking of course, of acquiring a franchise. In 2018 Michael acquired seven Wingstop locations and continued to grow his footprint over the next five years through both organic and inorganic means. In 2023 he sold his locations to a strategic acquirer. It now invests in acquisition entrepreneurs, both within and outside of the franchise context. I'd recommend giving this episode a careful listen before dismissing the idea of acquiring a franchise as your own path towards the entrepreneurial life and career that you seek. As Michael articulates well during our discussion, buying into the right franchise system can present entrepreneurs with a highly compelling opportunity. As we also discuss the entrepreneurial gods don't deduct any points for leveraging a business model that is proven to work. Before we dive into today's episode, I'll conclude with a friendly reminder that I am an active investor in search funds and the companies that they acquire through my fund, Mineola Search Partners. So if you're raising a search fund or are looking to fill an equity gap, I'd welcome the opportunity to speak with you, but for now, on to today's conversation with Michael Horowitz.

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Michael Horowitz 03:22

Michael Horowitz, welcome to the show. Thanks for having me.

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Steve Divitkos 03:26

I'm very excited to have you here, particularly because of how unique your journey was with respect to acquisition entrepreneurship. But before we get there, let's start by having you just set the table for the listeners a little bit. Can you just walk us through your career path and some of the major stops along the way that have led you to what you're doing today?

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Michael Horowitz 03:44

Sure. So I started off as an undergrad at University of Pennsylvania studying finance. That kind of shuffles everyone into investing roles. So started off as an intern at a hedge fund group didn't love that, found my way to venture capital, liked that a good deal more. Was pretty interested in entrepreneurship, but didn't really feel like the right fit for the zero to one types of founders that I was meeting. And as I was getting ready to apply to business school, learned about eta, and everything clicked. So spent most of my time in business school thinking about how I would pursue that. I really wanted to live in New York City after I graduated, and so when I did that, I graduated from HBS in 2015, I ended up doing a self funded search, because none of the investors that I previewed the idea of a New York City focused search to were excited about that, and in retrospect, they had good reasons for that. Because I found the search exceptionally difficult, didn't buy a business after about 18 months of searching, and actually went back and took a job in real estate, thinking maybe that could be an entrepreneurial area I pursued in the future. But on the side of that job inspired by two people who I knew, who had gone off and bought restaurant franchises for. Finance backgrounds, and we're having a ton of success. I started looking for specifically restaurant franchise acquisitions. That was not something I had at all looked at when I was focused on New York City. So it was a new area. I kind of think of it as like a whole second search. And after about 18 months of searching there, that led to buying seven wing stop fast food franchises in Columbus, Ohio. So in 2018 I moved out to Ohio to operate and try to grow that business.

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Speaker 1 05:27

So before we get to the details of your franchise acquisitions, can you talk about the process of winding down your search as someone with your background, academic and professional, that is a difficult decision to admit that. Hey, I gave it a shot, but it just didn't work out. Can you just walk us through the decision to wind down maybe the self talk that went through your head as you made that decision and how you thought about taking a quote, unquote, normal job after being an entrepreneur for two years?

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Michael Horowitz 05:58

Sure. So it was self funded, so there was no investor kind of stuff to worry about on that front, it was, as you say, totally a personal decision. And the two big things for me were a deal that I had been very excited about a little further along than most of the other stuff I'd looked at that ended up dying, was kind of a bummer, and then realizing that in the ensuing weeks. I was just really struggling to get the motivation and the volume of deals to look at that I thought I needed to justify doing it and not working. So decided I just don't have the volume, the momentum or the motivation, I think, to kind of break out of this cycle, and it's time to do something else.

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Speaker 1 06:41

Now talk to me about the seed of the idea for acquiring a franchisee. You mentioned that you had two peers of yours who had done something similar, and maybe that served us some inspiration for your specific investment thesis. And so talk a little bit about like the catalyzing factor, or factors vis a vis franchisees as a focus for you. And also, if you wouldn't mind talking a little bit about the specific franchisee that you chose to buy initially and why you chose that, as opposed to the presumably hundreds of other franchisee opportunities that you could have acquired.

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Michael Horowitz 07:19

Yeah, I'm not going to claim to it all be original on this thesis. And I should have been more specific, there were two pairs of two people each who I knew, who had gone out and done this, one in the Burger King system, the other in the Wendy system. And what particularly caught my attention was that they had finance backgrounds, not restaurant operations backgrounds, or any operations background. So that was similar to me. They had grown over the first couple years very substantially and seemed to be doing exceptionally well with future growth and the performance of their restaurant. So that was inspiring. And broadly the thesis that there's a big opportunity to purchase under Managed franchise locations from Mom and Pop franchisees or franchisees that haven't been operating them with the sort of rigor that you might expect a professional investor to use. And that not only could you go out with more willingness on the part of a franchisor to entertain someone with my background, but also you could go out with a bunch of capital behind you and deploy that over a long period of time to build a really big business, because the reinvestment opportunities to buy or build more units were constantly there. And the broad thesis around franchises, I was looking specifically at basically 500 plus existing unit restaurant, quick service franchisor. So that's a much smaller segment of the franchise universe, although it's the biggest, I believe, if you kind of broke out the different types of franchises. And the reason for that was basically those were businesses that have been around for a long time, proven their performance through economic cycles, proven that they work in different geographies, where you can diligence the brand really well by talking to a huge variety of people who've been in the brand for longer shorter periods of time. And you have the tailwinds of more people eating out than dining at home over time. So the business sort of grows a little bit in excess of GDP. You also have some elements of not in every brand, but real estate as a component of value creation if you're building new units, which appealed to me given the real estate background I had. So just felt like the kind of place where you could raise some money and have a really long window of operating and growing a business. I think the last thing I'll add is that having searched for 18 months and not found a business in New York, I still didn't want to leave New York, but I was more open to it at that point than I had been, and I convinced myself that if I bought restaurants, we were going to be spread out across the country anyway, and so I could probably eventually, if not right away, live in New York and go travel to my restaurants in various states over time, and wouldn't be committing to geographically relocating in the same way.

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Speaker 1 10:17

So you narrowed your franchisee specific search to restaurants and how and why did you land on Wing Stop of all possible restaurant franchisees to acquire?

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Michael Horowitz 10:29

Some of the early advice I got, which I completely believe in, is start by evaluating the franchisors that you may or may not want to be a part of, contact them and figure out if they're open to your background, they may be willing to help you find deals. They may not. But what you want to avoid is going after deals in a brand that you then later find out says, No, we're not interested in you as a franchisee. So Wing Stop kind of came to my attention because two very close friends of mine who are public market investors both said to me, this is a small public company that seems to have phenomenal numbers and not that many people talk about. You should really go look at it. So I really credit them with that selection. I approached Wing Stop, met someone in the franchise development team, explained my background, and I would describe them as open but fairly indifferent to my participation in the brand, and that was better than it was for a lot of franchisee franchisors. So as I investigated more with Wing Stop, a couple things that stood out. The unit economics to build a new unit looked really compelling. They're relatively inexpensive to open, but they do really fantastic store volumes and unit level cash flows. It was also a smaller system. Is about 1100 units, at the time Burger King Wendy's type brands were at 6500, 7,000 so felt that there was both runway to grow with new units being built in Wing stop, but also felt that it was smaller, and that kind of had kept out some private equity type consolidation players that existed in those other brands. So there's maybe some opportunity for me to be a big fish in a smaller pond with Wing Stop.

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Speaker 1 12:16

And how many franchisees did you end up owning, and how many were opened organically versus acquired.

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Michael Horowitz 12:22

I bought seven initially, when I sold the business, we had 20. I purchased eight more, and I opened six more, one of which I closed after a year.

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Steve Divitkos 12:36

And your hold period from start to finish was roughly five years. Is that accurate?

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Michael Horowitz 12:39

Yep, just a shade over five years.

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Steve Divitkos 12:42

Okay, so I want to pick up on one of the things that you mentioned, which is something to the effect of and apologies for putting words in your mouth, but the idea that your search for a franchisee ought to begin with a franchisor and evaluating the extent to which they are open to you joining their network, their unit economics, et cetera. Did you ever consider acquiring a franchisor, as opposed to a group of franchisees? And if so, can you just walk us through at a high level, for those who aren't terribly familiar with the franchisor franchisee model, like, what are the primary merits and risks associated with acquiring either one of the two?

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Michael Horowitz 13:18

Sure, I didn't really look at acquiring franchisors. Franchisors are incredible business models, much stronger than a franchise business model, because they're collecting a percentage of your gross sales without having to do any of the deployment of capital to open a location or any of the work to operate the location. All they have to do is license you a brand provides some general services and ideas about how to operate the business and collect a pretty high margin royalty stream, as a result, unsurprisingly, those businesses, even small ones, trade for quite high multiples. And there are plenty of private equity firms that will come down to pretty small levels to acquire those, because they can grow, as I just talked about, fairly linearly or maybe even exponentially, if you can, take a 20 unit concept that seems to be working and eventually get 200 people to sign up to open locations. I would say, as far as acquiring a franchisor, the diligence process, I think, should be fairly similar to considering becoming a franchisee, in that a franchisor is selling an investment opportunity to its franchisees. And if the sales pitch for that is as compelling as it was with Wingstop, invest \$400,000 to open a site, and you could make \$150,000 in your first year of operations, then the franchisor is probably going to have a pretty easy time selling as well. Vice versa, if the franchisor is asking you to put up \$3 million to make \$150,000 probably no one's going to take them up on that. So strong franchisee performance correlates very highly with strong franchisor performance.

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Speaker 1 15:00

And the composition of the market is quite different in so far as as you think of franchisors, there are the giants like Burger King and Wendy's, etcetera. But there are, at least as far as my understanding, as far as I understand, it's hard to find a franchisor that has scaled enough for it to be an attractive investment for somebody like you, but not so not so scaled, such that there's no chance that an individual acquirer could compete against private equity bidders.

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Michael Horowitz 15:29

I think that's very true, and I would point to two things. The first one being, if there are a lot of multi site businesses that have licensed their brand to some other people, and therefore call themselves franchisors. I would argue, if you own 15 of your restaurant chain and you've licensed it to six other people and there are 21 total units, yes, you have some royalty stream coming in. You are technically a franchisor of your brand. But to your point, the royalties that you're making on those six units are a much smaller component of the profitability of that overall business than the cash flow coming from the 15 units you own and operate. And so in that case, I would argue you're not really buying a franchisor, you're buying a multi site business that has a little bit of extra royalty stream. And if you imagine, let's say each unit is doing a million dollars of sales, and you're taking a 6% royalty. If you're doing a million dollars a unit times 20 units, you have 20 million bucks. You have \$1.2 million of royalty income coming in. You employ a couple people to oversee that. It's a pretty small business. So a lot of searchers are going to look at the EBITDA of that and say, It's too small for me, whereas a lot of private equity firms might be willing to say, we're going to just sit on this thing and wait for a lot more people to open units.

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Speaker 1 16:52

Yeah. So how did you so folks listening to this might be familiar with the types of business models and industries that searchers are encouraged to acquire within. So B2B, recurring revenue models, sticky customers with high switching costs, etcetera. On the surface, at least, it doesn't sound like that describes a restaurant franchisee. It's B2C. The revenue is maybe reoccurring, but certainly not recurring in the strictest sense of that word. There's substantially no switching costs. Obviously, it was a tremendous success. How did you evaluate, like, the bones of that business model and contrast it to the criteria that you likely used during your two years of searching on a self funded basis?

M**Michael Horowitz 17:37**

That's a great question. I'm gonna preface that. Most of what I'm about to say I learned after operating the business, and didn't know when I acquired it. But I would start by saying restaurants, particularly established QSR brands, are short term fragile and long term durable. So Taco Bell, Wendy's, Burger King, if you look at them over 20 years, if the unit existed 20 years ago and it was doing well, then it's pretty likely, barring some, you know, specific neighborhood factors about development and changing roads and stuff like that, that that unit is continuing to be a good performer today. And so if you're taking a long investment horizon, that's pretty comforting to think that, hey, if we buy strong performing units today, there's a good chance there'll be strong performing units 20 years from now. In the short term. However, the lack of recurring revenue, the B2C nature of the business certainly makes it that the individual unit performance can fluctuate pretty wildly. So I learned the hard way often that a poorly run restaurant, if you switch out a good manager for a bad one, has a pretty quick and pretty negative impact on the unit performance. But fortunately, if you replace that bad manager, with another good manager, the business can recover, albeit more slowly, back to where it had been before or better. There are some sort of innate characteristics of that brand, in that market, in that location, that are more durable than you might expect. And while there are lots of downsides to that short term fragility. There are also a lot of non financial upsides to operating the business. For example, every other person in the franchise system is running the exact same set of operations that you are. And so if you have a question about how to pay somebody, how to incentivize someone, what vendor to use, what the right budget targets are for something. There are 1100 other people in Wingstop that I could call who are not directly competitive with me, but have near perfect insight into the challenges I'm facing. So that's an element that you're not going to get in just about any other search acquired business, and that really lets you perform better than you could if you have to figure those things out on your own.

S**Speaker 1 20:06**

It's a perfect segue to my next question, because I want to ask you about ease of operation for a first time CEO in a franchise context. So I often say that one of the reasons why you see recurring revenue on every search fund website that you've ever been on is because it is objectively easier for a first time CEO to run a recurring revenue business relative to something like a project based revenue business. Similarly, it is easier to run a business that has sticky customers than it is to run a business that has customers that change vendors commonly and rapidly from year to year.

S**Steve Divitkos 20:40**

So while a franchisee, on the surface, doesn't seem to tick those boxes, there has to be something to be said for the quote, unquote ease. And again, nothing is easy to run, but the ease of operations within a defined system where a branding has been thought through, payroll systems have been thought through, operational processes have been thought through. Can you just talk about the extent to which the franchisee model lends itself reasonably well to being run by a first time operator.

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Michael Horowitz 21:08

Yeah, there are a couple elements of this. I'll start off by quoting one of the franchise consultants that I had from Wingstop, who used to say, running restaurants is simple, but it's not easy. So when you step in on day one, it's not very difficult to figure out what the restaurant needs to be doing. We need to cook food, we need to serve it quickly. We need to get the orders right. We need to provide good customer service, a clean environment, etcetera, etcetera. It's quite hard to get low skill, low wage workers to provide all of those things, but it at least lets you focus all of your effort as the entrepreneur on figuring out how to get to those points. As opposed to figuring out what those targets, what those procedures, what those goals should even be in the first place. I certainly believe if you buy into a franchise system, you should only do it if you think that they've figured out how to run a good business, otherwise, if you think you can do it better, don't pay them any fees and go open it under your own brand. So on day one, I firmly believe you should go in following all the franchise operations procedures, using all the franchise systems and tools, and letting all the decisions that they've researched and made over decades on your behalf do the work for you. Which lets you, as a first time CEO, focus on a much narrower range of things that you need to deal with, and you'll be plenty busy dealing with those anyway.

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Speaker 1 22:41

So many folks listening to this will not have considered acquiring a franchisee as their path to the entrepreneurial career and life that they see for themselves. So can you speak to those people and talk about some of the most meaningful merits of acquiring a franchisee, and also some of the most meaningful risks and challenges. So maybe some reasons why they ought to think about pursuing this and maybe some reasons why they ought to be very careful before they pursue this path.

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Michael Horowitz 23:12

So I would start on the merit side by saying that the long term investment horizon and the reinvestment opportunities I think are phenomenally attractive. I've told people before, if you buy a small B2B services business in your local market, and you decide we want to double our revenue in the next year, maybe you can go out and acquire a related business in the field, but otherwise, you're pretty much limited to can you figure out a sales method to go out and double the size of your business. In a franchise system, if you want to double the size of your business, you can certainly do it via M&A and you know where every single location is and who owns it. You can also do it by opening new locations in your market, assuming you're not in a saturated market or a brand that's overdone its footprint, which is pretty rare, because even Burger King and Wendy's are asking people to develop new units. So that ability to kind of constantly decide what scale you want to be and pull that trigger whenever you want is pretty remarkable, and something that doesn't really exist in almost any other business to the same degree. The other piece that I would call out is that there's a lot of stuff that exists. I just talked about, the sort of franchisee network where you can talk to your fellow franchisees and whatnot. But there are existing service providers that know how to diligence franchise disclosure documents, that provide software specifically geared towards franchise operations, all sorts of various things that just make it easier to step into the shoes of the CEO and not worry about a lot of stuff. And there's a lot of merit to that as well. Maybe the last thing that I would say on the on the merit side is that the pieces that you're trying to focus on to grow your business are pretty clear to you, and so it's a lot more execution oriented than strategy oriented. Which may be good may be bad, but also as a first time CEO might be a little bit preferable. On the negative side, the far and away number one reason to avoid doing this is the labor pool that you have to manage, because it's consistently over time, from everything I've been told and absolutely everything I experienced, gotten more and more difficult to find people to work what are not great, paid hard, physical labor jobs. Where often, unfortunately, they're not treated very well by customers and other people that they may have worked for in the past. And so I really would encourage potential searchers to think about what do you want your day to day to look like after you acquire a business? If you're really outgoing and sales oriented, you may thrive in a software business that really needs sales support. If you are buying a franchise, you're going to need to be highly directive. You're going to need to be able to connect with low wage workers who are not coming from the same motivations and skills that you are probably used to from your academic and professional career, and you're going to need to spend a lot of time figuring out how to get somebody to do something that they might not have a ton of interest in doing as part of their day to day job. It's just a very different managerial experience.

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Speaker 1 26:42

What about the lack of, or at least the perceived lack of control that you have as a franchisee in a franchise system? Is that a reason not to do it? Can you just talk a little bit about this idea of control?

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Michael Horowitz 26:54

Yeah, I think it's pretty much not a concern in my opinion, in the restaurant space. It might be, if you're in a more home services or territory based business, where there might be more degrees of freedom in what services and operations you provide, it may feel differently. But in the context of a restaurant, the fact that I run a chicken wing restaurant and can't choose to sell pizza doesn't really bother me. I picked this chicken wing restaurant because I liked the economic model that they had, I liked the brand that they had, I liked the way that the operations worked. I don't have any reason to want to add pizza or something like that. Generally, if you've picked a good franchise system and you have some really compelling idea about how to do something better, the franchisor should be receptive to that. But you've got to keep in mind the entire time that you picked a brand to do a certain specific thing, and taking it to a completely new place probably doesn't make any sense, but I never felt like the inability to change my menu items, to offer liquor, to have bigger dining footprints, to do something that wasn't core to the brand was a hold back. I was, frankly grateful to not have to spend time thinking about it.

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Speaker 1 28:16

Are there any metrics that you view as being particularly important in evaluating the financial and operational health of any given franchise. Like, are there any quote, unquote, vanity metrics, like what's a vanity metric versus what is truly important as an experienced franchise operator?

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Michael Horowitz 28:34

Yeah, I think return on investment is the be all, end all, for looking at a franchise investment, and what I saw, to probably a greater degree than has existed for many franchises ever in Wingstop over the last six, seven years, is this flywheel that starts to spin when that ROI is compelling, so super quickly, if it's a really attractive return on investment to building unit. And I'll go back to the Wingstop numbers of call it roughly 400,000 to open a restaurant that could make 150,000 in the first year. So you're looking at an almost 40% unlevered cash on cash return before you even borrow money to open that restaurant. If you have a really compelling investment opportunity like that, people are eventually going to find out and they're going to want to open new units. Over the last seven years, Wingstop has grown from about 1100 global units to about 2500, that's an incredibly high pace of growth for any franchise system kind of in history, from the bit I understand. The second order effect of all of those new units opening is that the total system wide revenue of Wingstop has more than doubled because there are more than double the number of units. And in addition to the royalty fees they're taking, wing stop is taking 5% of your sales to spend on everyone's behalf, on marketing. And so that dollar amount went from, call it \$50 million a year seven years ago, to now, it's probably 150. And if you watch sports, you will see Wingstop is now advertising on just about every commercial I see when watching football or basketball or whatnot, nationally. When I joined the brand, they didn't run any television ads, but they now have 100 plus million dollars more to play with. So closing this ROI loop, the increased brand awareness wing stop is getting from that marketing fund is actually fueling higher individual unit performance at the Wingstops that are already open, and so that drives up the cash flow per unit. Maybe instead of 150, it's now 175, but that \$400,000 cost to open is still roughly the same. So now the ROI is even better, even more people want to open, and that flywheel just spins and spins and spins. So I would point to that as like the North Star for any franchise evaluation. The other two things I would quickly touch on, it's super important to talk to existing franchisees and find out how they feel about the overall direction and performance of the brand. You'll get data from the franchisor in their disclosure documents about how many new units are opening a year, how many units are closing a year, how many units are being transferred to another buyer every year. And certainly if more units are closing than opening, or there's a worrying trend of increased closures, things like that. Those are things to keep an eye on, but that's kind of obvious. Below that, I would say asking franchisees if the franchisor is aligned with them is really important. We heard from a lot of franchisees and certain brands, yet they don't care really how well we're doing profitability wise. They just care about growing the top line so they can make more on their royalty stream. And so if they're evaluating asking us to make a \$10,000 investment in a new piece of equipment that'll increase our sales by five grand, it might not be a great ROI for us, but they don't care. They'll go ahead and do it. When we evaluated Wingstop, all the franchisees we talked to were pretty admire. Were admiring of wing stops management for being very thoughtful about not asking franchisees to make investments that wouldn't have returns for them as well as for the brand.

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Speaker 1 32:22

Okay, so ROI is the North Star. Just to be very tactical, when you say ROI, you're talking about the unit economics for opening a new location. So how much does it cost me to open it, and how much do I get in cash flow per year after we open it?

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Michael Horowitz 32:35

Exactly.

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Steve Divitkos 32:36

Okay. Did did high growth at the front? This might be a silly question. Did high growth at the franchisor level ever concern you from a potential saturation perspective, or is that an unambiguous positive?

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Michael Horowitz 32:50

That's a good question. It certainly didn't concern us. I find it hard to imagine that you would see very high growth, paired with quickly reaching a potential ceiling on unit size, excuse me, unit count. So I would imagine that the closer you get to saturation, that sort of has already trickled into the interest that people have in opening new units. If I'm, for example, the only franchisee in Columbus, Ohio, and I started with seven, I opened five more there. I'm now at 12, if Wingstops trying to get me to 19, but I think there maybe should only be 14 or 15. You'll start to see my unit opening slowing to reflect that. And I would assume that kind of overall flows through the rest of the the unit openings.

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Steve Divitkos 33:47

So I want to move on to the consolidation opportunity with the next handful of questions, because you mentioned that you did some organic growth, you did some inorganic growth within the context of the franchise system. So let's talk about inorganic growth for the next little bit. I guess the question is, at a high level, like, how does a prospective acquirer figure out just how real or actionable the consolidation opportunity is within any given base of franchises? Because I imagine that the consolidation opportunity within franchise system A isn't necessarily as attractive or as actionable as the consolidation opportunity in franchise system B. So how do you figure out just how meaningful of an opportunity that is?

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Michael Horowitz 34:30

I think you start by talking to the franchisor and understanding what they would like to see happen. So a franchisor may say, we have a huge number of mom and pop franchisees who own one or two units, and our high level strategic goal is to push those people out of the system in favor of larger, multi unit, more sophisticated operators, in which case, that's pretty good first check sign for the Consolidation opportunity. It is entirely possible, because it's sort of a philosophical, operational belief that some franchise systems prefer that, and they absolutely do not want consolidators who own many units. You look at Chick fil A, which has its own sort of unique aspects about whether it's truly a franchise. But setting those aside, as far as I know, nobody owns more than two, maybe three, Chick Fil A's, and that is very much their ethos of we want owner operators inside their locations working full time, not sitting in an office managing a sprawling corporation. So that would be the first piece. The second piece I would look at is understanding what the current makeup of the franchise base is, so you can understand how transactions are likely to occur. For example, Wingstop had a lot of 1, 2, 3, unit franchisees when we started acquiring. At that same time, Pizza Hut is notoriously a brand that has a lot of very large operators there. I don't know how many, but I'd estimate there are dozens of people in Pizza Hut, or at least there were five, six years ago, who owned 30 plus Pizza Huts. So you're going to have a lot more chunky deal sizes to go after in certain brands than in others. The next piece I would look at is what the prevalence of transaction volume has been in the brand. Have there been a lot of sales? Have there not? And if there have been, who are the people who are making these purchases as it new private equity backed people coming into the system for the first time, or are they long standing existing franchisees who sort of gobble things up when they come? Just to understand where you might fit in in the competitive landscape of potential acquirers for that brand. So what's the franchisors attitude on it? What's sort of the makeup that's going to dictate the types of deals you will be able to do over time, and who else are you competing with for those deals would sort of be my top three.

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Speaker 1 37:01

Right. So it's specific to the franchisor, because I imagine, I mean, you gave the Chick fil A example, which I think is a good one. I mean, I have to imagine that there are some franchisors that discourage any single franchisee from becoming too large, for fear of, I don't know, for lack of a better way to put it, like negotiating leverage being transferred from franchisee?

M

Michael Horowitz 37:22

Absolutely. I would guess that that number for most franchisors is probably somewhere between 10 and 20% of the total system units, depending on how large the franchisor is. But that is a very real element, and a good reason to, in my opinion, fish in the 500 plus unit kind of ponds where you can feel very comfortable if you're trying to scale to a large number, that you've got some runway before you hit any ceiling there.

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Speaker 1 37:49

Okay, so is it fair to say that in the quote, unquote, typical franchise system, there's like a natural cap on how large one can grow through consolidation?

M

Michael Horowitz 37:59

I think so, yeah.

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Speaker 1 38:01

So as you were buying your first franchise in 2018 if you can think back to your original investment thesis, how important was the consolidation opportunity to you?

M

Michael Horowitz 38:14

It was integral. So truthfully, hadn't wanted to do a seven unit acquisition. Was hoping to start with 20 or 25 and run from there. Wingstop had a lot of elements that were compelling enough that was willing to come down to something of that size. But if I hadn't thought up front that there was the opportunity to get to 50 or 100 units in Wingstop over the next five years, I wouldn't have done it. Something to mention here, which I'm sure we'll touch on later. But another downside of being in a franchise system is that the franchisor exerts control both on entry to approve you to come into the brand or not. And that doesn't just exist for the first acquisition you make, but exists for every subsequent acquisition you want to make, if, for some reason, you've done something to make them unhappy in the way you run your business, you better believe that they're going to step in and stop you from expanding your control of their system. They also exert influence on exit to say you can't sell to X, Y, Z person. So two sort of barriers there that really constrain your growth. And something that I felt hurt me in the Wingstop experience was having come in as someone that they didn't really know. You're going to meet the executive team. It's just part of any sort of franchise entry point, but depending on your size and your level of involvement from there, like you might not ever talk to the CEO of that franchise again. I entered as a seven unit Mom and Pop guy who was working his butt off, getting his hands in the fryers and grease traps in Columbus, Ohio. I didn't enter as a Harvard MBA who could go out and raise private equity capital and operate 50 or 100 units. And I was actually told early on when I tried to go after a much larger acquisition, whoa. You know, you've only been in the system for whatever it was six or nine months. We're not sure you're ready to take such a big step in growing your unit count by 4x or whatever it was. And my feeling was like, not sure I'm ready. Like, I should have started with this acquisition, like, it's a reflection of my written excitement for your brand that I was willing to do this tiny little deal in Ohio, but that wasn't how they saw it, and so that made getting that deal done difficult, and didn't end up getting it done.

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Speaker 1 40:36

So after you were the owner of your first seven units, like any other business owner, you had to weigh the merits and risks of organic growth versus inorganic growth. You mentioned that the economics on organic growth were actually quite attractive. So can you talk to me about like how you weighed the relative attractiveness of organic versus inorganic growth, and why you leaned in the direction that you ultimately did?

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Michael Horowitz 41:01

I had a strong preference for inorganic growth as attractive as the organic opportunity was just because I tend to be more risk averse and thought that I could do deals at pretty attractive rates of return with a lot less risk on how the units would turn out. So I was certainly biased towards that, but I would say it's pretty much table stakes as a franchisee who wants to grow, particularly who wants to grow organically, to also be opening new units from scratch, because from the franchisor perspective, they don't get anything out of you buying a bunch of someone else's units. Those units those units already existed, and we're already paying royalties. What makes them happy is you spending new money to open new units that add to that royalty stream. And so if they're considering two potential buyers, one who says, I want to buy all these and run them better, and another who says, I want to buy all these run them better, and reinvest \$2 million into opening five new units, they're going to pick that second person every single time. So organic growth is actually a bit of a requirement if you're going to try to be a consolidator inorganically on top of that. Organic growth for us was great, but absolutely the riskiness bore out as higher. I think, of the units we opened, we opened one that hovered around break even to maybe losing a bit of money, and we opened one that, on a levered basis, paid back all of the money we invested like five times over in its first year. So huge span of outcomes across those units on average, worked out quite well, but it's pretty frustrating to put the work into opening a new unit only to find out that you've opened a dud and now you're saddled with this thing on a 10 year franchise agreement and a 10 year lease. So I prefer to try to avoid that as much as possible and stick to paying someone else for having taken that risk.

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Steve Divitkos 43:03

So as an investor in these small businesses, and I'm sure you've seen something similar, I feel like I see a consolidation, a new consolidation thesis every week, and often my primary source of pushback is A, is the initial asset attractive enough on a standalone basis, such that it can still generate a successful outcome. But also B, just like complexity of execution, the data is quite clear in that the average roll up strategy destroys equity value. It does not create it, which is to say that, like this is much harder in reality than it is in Microsoft Excel. However, that's outside of the context of a franchise system. So can you talk about, I hate to say, the word ease, because, again, nothing is ever easy, but the relative ease of execution of a consolidation strategy in a franchise context versus a consolidation strategy in, you know, substantially any other context?

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Michael Horowitz 43:57

Yeah, and you had a great blog post on this topic. So for people who are listening to this and haven't read it, your piece on why to not consider a consolidation, I thought was really, really good. But yeah, for franchises, it is much, much easier. As you point out, they're operating on all of the same systems. They're using all of the same, I shouldn't say all of the same, but they're certainly using the same vendor categories. And depending if you're acquiring in the same geography, then chances are you have the opportunity to continue using vendors you already used. If you're acquiring in another geography, there are also a lot of national vendors that you may or may not be using and so it was to the point for me where on acquisitions, I basically needed to know, what's your revenue, what are the terms of your lease, what's your product mix. Because it had a bit of implication for food cost. And then I wanted to see how you were deploying labor. On what you were paying people. So I sort of understood if that was an opportunity to reinvest, to cut, whatnot, but I didn't really care about any other piece of your PNL. Because I knew what I was going to spend on that once I took over and picked the vendors that I wanted to work with, and literally, the day you close, you send an email to corporate and say, okay, the deal is closed, and all of a sudden, your back office computer systems are populated with all the new units that you were in your credit card processor. Who you have a special phone number to through your franchisor to turn over all the machines to your system, it is depositing into your bank. It's a lot of stuff that can happen in the snap of your fingers. As opposed to a traditional consolidation, where some people may be using software, some people may not, some people may be using other types of software, some people may not. Some people have different pricing schemes, different product offerings. There's so many more things that you have to standardize if you're acquiring pool maintenance, landscaping, HVAC, you name it.

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Speaker 1 46:01

Interesting. So, I mean, I know very little about franchise systems, but the one thing that I've always found intriguing about it is for those first time CEOs who are more transactionally oriented and who find themselves compelled largely by inorganic growth opportunities, because franchise systems could be a very interesting way to de risk in a way, what is otherwise a very risky proposition of growing via entirely inorganic means.

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Michael Horowitz 46:29

I think that's true. I absolutely experienced the what looks good in a spreadsheet you realize looks different on the ground in franchises as well. So I should emphasize that one example that kind of makes me chuckle just the thinking about, hey, we're spending \$400 a month now per unit on internet access, because no one has changed over the contract in years, and they've just been increasing the rates. Well, that's an easy we'll save 50 plus percent on that by going and shopping it out and getting some new customer rates. That works great in the spreadsheet. What you don't appreciate is that when a spectrum tech is going to 20 of your stores trying to figure out where the Wi Fi router is in the ceiling of a restaurant caked in grease and is changing it over and makes a mistake, and now your entire system is offline for the day, and you lose \$2,000 of sales because you weren't open. A lot of things that look good in the spreadsheets don't necessarily translate into making operational sense. So I think it was super valuable to have gotten the experience that I did really working in the restaurants every day for the first couple of years. But then absolutely, once you have a feel for where those levers do and don't match, what they look like in a spreadsheet. I do think you can probably go out and move faster in acquiring and consolidating in franchises than you could otherwise.

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Speaker 1 47:52

Let's talk about the franchisor, because you mentioned that the franchisor can exert some influence at exit time. So can you talk about your own exit what role if any, did the franchisor play in that process? Did they generally facilitate it and make it easier, or did they impede that process and make it more difficult?

M**Michael Horowitz 48:15**

So when I went to sell the franchisor, sorry to everyone listening, told me, do not bring us any search fund, eta entrepreneurial acquire type buyers. We're going to say no. So I ruined it for everyone. They said, Look, we have some people we'd like to see as the acquiror of this. We'll give you a few names of people you should contact. You're free to sell to anyone who meets our criteria. But the criteria that we're going to lean into most heavily is the operational experience of your proposed buyer, and so be prepared for us to interview them and interrogate them about what restaurants they've run, how those have performed, how they're going to run these, etcetera. At the end of the process, two of my three finalists, one was a preferred bidder that Wingstop had suggested. The other was an experienced operator who was coming from another system and had not been part of Wingstop before. And we basically went back to the preferred acquiror, who was unsurprisingly, the lowest of those three bids, and said, look, we know getting a transaction done with you will be easy. We've already been told by Wingstop they're excited about you. There is a discount we are willing to take on the purchase price to work with you, given that certainty, but it's not as big as the discount that you're proposing right now. So here's what we need you to pay to make it work. And fortunately for us, they did. Unfortunately for us, we, I think, absolutely got the value out of that discount. Not only in that Wingstop was willing to work with them and make it very easy for us to hand everything over, but also because, as an existing franchisee of Wingstop, they knew the brand super well. So they didn't have to stop to ask me hundreds of questions along the way about how things worked. They didn't get nervous when various things went, you know, potentially south, because they could see how things were going in their own system. They moved exceptionally quickly, closed and took care of the team, and have done really well since. Do you think that there is a for lack of a better way to put it, evaluation overhang on franchise businesses because of the control that the franchisor can exert, either operationally or at exit time? The answer is yes. It's interesting to think about what that discount is, versus the other sort of I wouldn't attribute that as the sole reason that there is a ceiling to the value of a franchise overall, but I would certainly say it's a significant factor. I think the other factor is just that while these things are, like I said, long term durable, they're short term fragile. And so it is almost unheard of to hear of a double digit EBITDA multiple being paid for a franchise acquisition. And I would say some of that might reflect that franchisors might not choose the highest bidder to be the next owner of the portfolio, but I think some of it also reflects that there are challenges to running this business. There are things that can go wrong, there are weaknesses, and these businesses just aren't as good as a software business with the same level of EBITDA or an incredibly sticky, high net retention, recurring revenue services business. So there's also some valuation cap coming in just from the weakness of the business model compared to a plus search fund deal.

S**Steve Divitkos 51:51**

Yeah, and I guess, to that point, if you are negatively impacted by the valuation overhang on your way out, as long as you were proportionately positively impacted by that valuation overhang on your way in, effectively, it's a wash, unless I'm oversimplifying.

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Michael Horowitz 52:10

Maybe yes, maybe no, I would argue that someone coming into a system as a new entrant probably has to pay a bit of a premium. In the story I was just telling with the other buyer, I was going to ask for them to pay more to come in, because I wasn't as sure that they would go through with the deal in the end and they wouldn't find a reason to try to Retrade me or something like that. So I felt that on entry to these wing stops, we paid probably a little more than some other people were willing to to get our foot in the door. And I think that's sort of table stakes, but I don't think it's so big of a deal that I'd be upset about paying that premium.

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Steve Divitkos 52:57

Sure, I mean, it's the price of admission to benefit from all of the things that we've discussed thus far. With respect to the royalties that you paid your franchisor, I guess I'll ask about your experience specifically, and then I'll ask you more broadly, if we were to zoom out and look at franchises as a whole, do you feel like you got your money's worth? Because I can imagine how painful it is to see X percent of revenue coming out every single month. And if you're not getting your money's worth as a franchisee, certainly that's where my eyes are going on the income statement every single month. So talk to us about the value that you felt like you got or did not get in your own personal experience, and then maybe speak to that concept more broadly.

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Michael Horowitz 53:37

Yeah, I 100% felt like I got the value out of our being part of Wingstop. And to your point, not only are you paying a ton of money out the door on a gross revenue basis, but these aren't super high margin businesses. They tend to be kind of low double digit unit level margin businesses. And so if you think about paying 6% royalties plus 5% for marketing to Wingstop corporate, and then being left with a 13, 14% EBITDA margin at the store, you're paying almost half of the total profits of the business to Wingstop, which is a more painful way of looking at it, potentially. That said, got absolutely great value out of it, the ability to throw a wing stop sign up on a retail strip center space and see a line show up out the door, log in the computer, turn on DoorDash and see the receipts start printing out. Never would have been able to be replicated if it was Mike's wings over the door. And so over the five years, the initial seven units that I started with all about double the unit volume from acquisition to exit. And to double your unit volume over five years in a restaurant, particularly in a mature system with over 1000 units, is basically unheard of. If you're putting up 5% same store sales growth a year, you're doing pretty well. So to be putting up teens and 20s numbers a year is outstanding. So that's all credit to Wingstop having that flywheel working. More people learning about the brand, more people coming in, I was absolutely happy to pay them their 6% more generally, as far as are they delivering the value? I don't believe that franchisors tend to offer that much value in the form of the systems, operating, manuals, etcetera, that they provide you. I think it's really about the brand and or the product or service that they provide, that you provide through them. So I tell a lot of people, there are two things a franchisor should do for you. Has to do one. If it doesn't do one of these two, run away. Ideally, it does both. Number one, it gives you a brand that people will show up out the door for the day you announce that you're opening this location without you doing any work. If you have to go market this brand from a franchise that no one's ever heard of in your local market, then why not spend all that same marketing effort marketing your own brand and save that royalty and marketing fund for yourself. Number two is the brand should be offering you the ability to do something that you couldn't really figure out to do yourself. I didn't need wing stop to figure out how to run a chicken wing restaurant. If I wanted to go open a chicken wing restaurant, I could have gotten to an operating model pretty similar to Wingstops without that much difficulty. What I was paying wing stop for, in addition to the brand, was the ability to sell lemon pepper flavored wings. Wingstop Ranch, these products that I could not have sold in my own chicken wing business. Talking about it outside of restaurants, maybe you're a franchisee of Serve Pro or Service Master, the big disaster restoration businesses that help you after you've had a fire or a flood at your house. A huge value add that those franchises give you as a franchisee is they have national relationships with insurance companies. So the insurance companies will send leads to those brands, knowing that the pricing, the service, the model, generally works for claims that they want to pay. It would be much harder for me, as a mom and pop franchise of Michael's restoration to go get the attention of GEICO, State Farm, whoever in my local market, and ask them to pay me to go fix people's houses. So even if you don't have a brand that people know in those cases, you're being able to offer a service that would be a lot harder to offer on your own.

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Speaker 1 57:43

Can you talk a little bit about the primary agreement between franchisor and franchisee? You know, A, what is it called, and B, what truly matters in that document? I imagine, like all I've never seen one of these things, but like all legal documents, I'm sure, it's way too long and way too complicated. So what are the sections, the terms, the questions that truly matter that a franchisee has to make sure that they deeply understand before they sign their name at the bottom of that document?

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Michael Horowitz 58:11

It's a great question. So the document is called the Franchise Disclosure Document. One strong opinion that I have is that when you go out to start evaluating franchises, and you try to find these documents, the franchisors are required to give them to you as part of your evaluation process, but they don't post them publicly, and there are a lot of shady websites out there which will offer to sell them to you. Please never use one of those websites. Franchisors are required by several states to publicly post these franchise disclosure documents. And so if you go to Wisconsin, Indiana, I believe California, there may be one or two other states, but look up Wisconsin, FTD Search and Google, you will find the State portal. You can search every franchise you've heard of, and if they operate in Wisconsin, you can get this document for free without ever having to talk to anyone at the brand, please do that and never pay for one. Having said that, I maybe have a slightly different view on the Franchise Disclosure Document. You hit the nail on the head that there are 200 plus page documents. They have so much information in them, and the most frustrating part is that a lot of that information might give a specific rule, requirement, fee, etcetera, today, but the franchisor is trying to preserve as much optionality as possible. And so for just about everything, it says, we reserve the right to change this at any time. And once you've layered that in, there's not a whole lot of value you're going to be able to get because they're not going to remove those terms. So I actually take the view of unless you're joining a very small franchise system that doesn't have a lot of franchisees yet, you probably aren't going to have a ton of negotiating power over this document. And you're going to spend a lot of money hiring a lawyer who probably won't get very far in negotiating it for you, the better move, in my opinion, and I would say this is probably not a typical view, is talk to a lot of franchisees. Get a feel for how much they feel the franchisor is aligned with their interests, respects their views, looks out for them. Look at how many people are choosing to open or close units or transfer units, and figure out for the people who sell or close why they're doing it, and stick to brands that are large enough and mature enough that they have something to lose reputationally if they start screwing franchisees over. And that sort of constellation of research probably gets you better information about whether you want to sign that FDD, than an attorney review who's going to mark up stuff that you're never going to get. You can Google right now some brands that have been in the paper for doing shady things after they've been acquired by private equity, and they jack up rates, and they change the terms on franchisees and stuff. And that's certainly a risk, but I would argue that tends to happen more in smaller systems where there aren't established franchisee groups that have been working with management for a long time. Right now, you'll see if McDonald's tries to pass something through it basically is front page news when franchisees are unhappy about it, so that, in of itself, is probably more protective of you as a franchisee than whatever the legal docs for the McDonald's FDDs say.

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Speaker 1 1:01:34

How negotiable are these documents? Are you in a position as a prospective franchisee to propose changes, or is it a take it or leave it proposition, where the franchisor says, here's the agreement, either sign it or don't, and there's no in between?

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Michael Horowitz 1:01:48

My limited experience was that they are not highly negotiable, or really negotiable at all, unless you're dealing with a very small brand. What is negotiable are the development agreements, which is a separate piece of the contract, that's where you're agreeing with the franchisor, what territory rights you will have, how many locations you are planning to open, what the schedule of those new openings is supposed to be, things like that. And that document you can kind of run wild with and ask for whatever you'd like and craft it in whatever way you want. Obviously, from the franchisor's perspective, the more territory they're willing to let you have exclusivity on, the more units they're going to want you to open, and the faster they're going to want you to do it. So that's kind of the main push and pull, is how much you're going to commit to spending versus how much you get the rights to play around with. One example from our experience was we were looking at buying a larger portfolio of Burger King restaurants that hadn't been performing very well in the market we were looking at. And Burger King on top of the purchase, wanted us to commit to building 45 additional Burger Kings, which would have cost us about 4x the purchase price of the units we were looking at buying. So it was a huge, huge, huge commitment, and particularly given that the units we were looking at buying hadn't been performing that well, we said, you know, we're not convinced that this market can support any new units, much less 45 more. We got to see if we can get these existing ones performing the way they should be. But we understand you don't want to give us all this territory and approve us for this deal without a commitment to reinvest. So let's draw up a mutually beneficial contract. We'll agree to spend all that money, but we get an out if, after five units, the average unit volume of our new openings has not met X, Y, Z threshold. We thought that was a pretty fair way to align incentives, make sure they got a commitment, that we got some protection, that the commitment investment was going to be worth it. They threw that out the door immediately. And so our feeling was, if they weren't willing to sort of take a little bit of risk on their end for such a big ask. We probably did not have that franchisor alignment I was talking about, and so we walked away from the deal.

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Speaker 1 1:04:12

This is a very tactical question, but I guess, at the risk of asking it anyways. How does real estate work in these agreements? Who owns it? Who finances the cost of new units. How does real estate generally work in these agreements?

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Michael Horowitz 1:04:24

There are a handful of brands where the real estate is generally owned by the franchisor. McDonald's would be the most well known most brands, though, that is not an element that's totally controlled by the franchisee, and that's something we haven't talked about a lot in this conversation, but quickly to note it, there are a lot of people who make more money selling the real estate underneath their franchises than their franchise business when they go to retire. Maybe that won't be the same over the next 20 years, given the really high prices that real estate trades at right now. Where interest rates are and institutional capital and all this sort of stuff, but it certainly is a big dividing line among even quick service restaurant operators, whether they're in a real estate based system or not. Wingstop was not a real estate based system. We needed 1500 square feet. We don't have drive throughs. So we're going into a strip mall between a laundromat and a Family Dollar and paying a really cheap rent to do it, which is part of why the economic model works so well. But if you're opening a Wendy's or a Dunkin or a Taco Bell, maybe Dunkin can do both. You're going to buy or lease an acre, a half acre of land, you're going to spend \$2 million constructing a new building, paving drive through lanes, doing curb cuts, going with zoning, planning for traffic lights, blah, blah, blah, blah, blah. So you're spending almost as much time on real estate development as you are on operations when you're opening a new restaurant, but you're creating a lot of value out of a piece of land that previously wasn't supporting any business operations, and you can sell the completed building with a rent paying franchise tenant for a lot of money that helps you recoup the amount you're spending to develop your restaurant.

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Steve Divitkos 1:06:15

Right. I guess the potential upside of owning the real estate is one consideration, I guess, a consideration in the opposite direction is that that materially impacts the new unit economics that were so attractive to you in opening up de novo units of Wingstop, you didn't have to worry about building parking lots and developing land and things of that nature.

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Michael Horowitz 1:06:35

It depends how you look at it, because if you do take the approach of, hey, I'm going to buy this land for half a million bucks. I'm going to spend 2 million bucks opening a building. So now I'm all in at two and a half million to get my site open. But my site can spend \$200,000 a year in rent based on the sales volume it's doing. You could probably sell that building and the land to an investor who's happy to collect your \$200,000 in rent, and you might be able to sell that for \$3 million plus. So technically, in that situation, you've built your restaurant for \$0, you've actually gotten a half million dollars back. The downside is you've now locked in a high rent level that you are committed to paying and if you want to pick up and move your unit down the street, there are never, I shouldn't say never, almost never, empty drive through restaurants and prime locations waiting for someone to come lease them up. If I want to pick up my wing, stop and move it down the street, there's almost always a vacant tenant space in a strip center that I can threaten to move to. So I have a lot more power as the lessee of a space than you do if you built your own building, sold it to someone, and then want to pretend you're going to leave.

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Steve Divitkos 1:07:52

As we conclude our discussion today, I'd love for you to speak to the skeptical listener that I think likely resides somewhere within the folks listening to this. They might think wrongly I should add, they might think that being a franchisee is not a quote, unquote, truly entrepreneurial path. So you've been in the weeds, like you said, you've been elbow deep in grease traps. I'd love for you to speak to that objection based on your own personal experience.

M

Michael Horowitz 1:08:23

Yeah, thanks for bringing that up. I don't know what the dictionary definition of entrepreneur is, but if you're opening a franchise, you're putting your capital at risk to start a business endeavor, and you're going to hire the people who are going to do it. You're going to supervise those people. You're going to be responsible for whether the service you're providing is delivered well or not delivered well. I would argue all of that is exactly what an entrepreneur does, and it might be a really brilliant entrepreneurial decision to decide to license a product, a brand, a service from somebody in order to help you be successful at that. You know, are you entrepreneurial if you open a car dealership and you sell GM cars that you didn't build? Like I would certainly say so. Are you entrepreneurial if you are a distributor of some other person's product? I would absolutely say so. I think anybody who's putting up money for an uncertain outcome that's largely based on how well they do in their operations is certainly an entrepreneur. And frankly, I would say one of the main reasons to not be a franchisee is it is a lot, I shouldn't say a lot harder work, but is a lot different work to operate one of these businesses than it is to operate something like your business. Where you don't have calls coming in at all hours of the day about facility problems. Employees not showing up, employees stealing from you, customers, getting in fights with people, you name it, the stuff that you deal with at these very kind of gritty, lower level blue collar businesses, requires a lot of management intensity. And there were definitely days where I envied people who had the nice, recurring software businesses and, you know, could go to sleep and wake up the next morning and know that money was still going to come in the door, whether they showed up and unlocked the front door or not.

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Steve Divitkos 1:10:23

Yeah, the entrepreneurial gods do not deduct any points for deciding to leverage a business model that is proven and successful. That's certainly a way that I thought, but Michael, this has been super fascinating, like I said, I know very little about the franchise opportunity. However, the more I learn about it, the more I intrigued I become, particularly for first time CEOs as a really, really interesting and differentiated path to pursue and create and craft the entrepreneurial life and career that they're seeking for themselves. So thank you very much for joining us today. If folks want to get in touch with you, what's the best way to do that?

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Michael Horowitz 1:11:05

Yeah, they can shoot me an email. It's Michael M, I, C, H, A, E, L, at streetlight-cap.com, they can find me on LinkedIn. They can probably also find me at an ETA conference somewhere, at a great business school and great to be here. Really appreciated all the questions. It's fun to think through kind of this stuff and try to put five years of operating and firefighting into something that sounds a little more researched and coherent. I'd love to just leave people with the thought getting the brand right is 95% of the battle here. I don't think I emphasized that quite enough throughout the conversation, but I would much rather be the most incompetent operator in a system that was working really well, than be the absolute smartest operator in a system that just had the trends going against it. So make sure whatever you do to get that piece right, and the rest should work out. Well said, and a great place for us to end. Thanks, Michael. Thank you.