



D|A|DAVIDSON
INVESTMENT BANKING

DEAL OUTLOOK FOR SERVICES FRANCHISING REMAINS STRONG

March 2024



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AT A GLANCE

D.A. Davidson’s Consumer Group has a reputation for its depth of industry knowledge, breadth of capabilities, and tenacity of its senior professionals. Offering sector-specific expertise through a full-service platform, the team provides M&A, strategic advisory, and equity capital markets capabilities.

- 01 | Trusted M&A and capital raising advisor
- 02 | Full service capabilities including public offerings and debt placements
- 03 | Global reach through D.A. Davidson MCF International
- 04 | Strong relationships and active dialogue with key strategics and consumer focused private equity firms

Recent Consumer Group Transactions

head rush
technologies

a portfolio company of

PS
PIKE STREET
CAPITAL

has been acquired by

TZP
GROUP

SELL-SIDE ADVISOR

RUMBLE ON

has completed a rights offering of common stock

\$100,000,000

FINANCIAL ADVISOR

COMC

has received a growth investment from

ebay

SELL-SIDE ADVISOR

CAMILLUS **Cuda**

Quality Knives Since 1976

brand names of

AO

have been acquired by

GSM
OUTDOORS

SELL-SIDE ADVISOR

flutterhabit

has been acquired by

GAUGE
CAPITAL

SELL-SIDE ADVISOR

vividseats

has completed a follow on offering of common stock

\$147,200,000

CO-MANAGER





Deal Outlook for Franchising Remains Strong – New Entrants Continue to Pour In

How Many “Homes” are Left for Founders Looking to Exit Out of Their Home Services Brand?

As softness began settling in on home services (especially more discretionary services) towards the latter half of 2023, some skepticism has surfaced on whether the pandemic era valuation environment that has persisted for years will finally start to normalize somewhat. With the volume of home services acquisitions, the pessimist’s take centers on the difficulty of finding meaningful differentiation in a growing landscape of “me too” brands. In short, some buyers are starting to feel tapped out on the category, particularly those with already established platforms in the sector. However, despite some operational softness, the continued flood of new entrants specifically targeting services businesses (franchised and non) makes it difficult to predict any sudden negative shift in overall demand for assets in the category, especially for those brands that continue to showcase growth through both improved performance and franchise development.

Is Home Services Starting to Look Homely?

I Want a New Umbrella!

School is Back in Session

Acquire it or Build it Debate Lives On



More Buyers are Packing Up Their Interest and Moving to Neighborhoods Outside of Home Services.

In a sea of scaled franchise service brands, most are concentrated within consumer services. For the “been there, done that” investors, particularly those with multi-brand or umbrella positions in home services franchising, there’s heightened importance around discerning which sector to target next. Aside from the sustained volume in home services and four-wall franchises, recent market activity is evidencing the growing deployment of capital into building a platform thesis in business services. Targeting an entirely different customer, the business services end customer typically boasts higher AOVs, and in certain models, a noticeably higher degree of stickiness. Though typically a longer customer acquisition timeline, the larger AOV potential and deepened customer relationship helps provide some insulation from the otherwise routine hassle of managing high customer churn, as is typical in consumer services.

Don’t Get Schooled on the Childcare and Early Education Comeback.

Many services sub-sectors throughout the pandemic (despite the initial shock sustained), achieved strong or even record levels of financial performance. Franchisors doubly benefitted from high levels of franchise development as well – engines were humming. However, the childcare and early education sector stood in sharp contrast. Concerned parents grappled with the question of when, if maybe ever, their children would be back to a full-time, in person learning environment. With those concerns now in the rearview mirror, 2023 showcased a remarkable rebound in demand, as the “discretionary” defined category, has felt more essential now than ever before. Similarly, 2023 also proved to be a strong year of franchise development for the sector. Prospective franchisees have been attracted not simply to the rebound in unit economics, but the unique appeal of driving a direct positive impact in their local community, fueling additional franchise development momentum.

Brand Expansion Doesn’t Always Have to Come Through the Form of Acquiring an Existing Franchise.

Building franchise services umbrellas has been mostly limited to four-wall consumer services and home services brands. Recently proliferation and interest in leveraging the franchise model to rapidly scale in fragmented sectors has revealed new categories ripe for franchising. Particularly in a market where valuation is not seeming to wane, the case for acquiring regional or single-owned corporate units at attractive multiples and later flipping to franchise models (either with new or existing management in place) allows the franchisor to engage in multiple arbitrage. Furthermore, it’s a way of purchasing established operational practices and an experienced team, or at the very least a current customer file to hit the ground running. The buy-and-flip approach also allows franchisors to build credibility amongst prospective franchisees that are first to take the plunge on a new concept. It’s a particularly attractive strategy for sub-sectors that lack robust acquisition pipelines of existing franchise brands.





On February 29, 2024, **Orangetheory Fitness** and **Self Esteem Brands** announced an intent to merge as equals in an all-stock transaction, forming a new company with one of the largest footprints of fitness, health and wellness services in the world



On February 20, 2024, **Unleashed Brands**, the world's first youth enrichment platform, announced its acquisition of **Sylvan Learning**, the leading provider of supplemental and enrichment education for K-12 students with more than 500 franchise locations



On February 5, 2024, **Massey Services** announced its acquisition of **Insight Pest Solutions of Myrtle Beach, S.C.** With this acquisition, Massey now has 7 service centers throughout the state of South Carolina



On February 1, 2024, **The Riverside Company** announced its investment in **U.S. Lawns**, a franchise provider of commercial landscaping and snow removal services with more than 200 locations spanning 37 states



On December 13, 2023, **The Riverside Company** announced its acquisition of **Miracle Method**, the leading franchised provider of bath and kitchen refinishing services in the United States



On November 13, 2023, **The Riverside Company** announced its acquisition of **Frenchies Modern Nail Care**, a franchisor providing nail care services. Based in Littleton, Colorado, Frenchies has more than 20 locations across 13 states in the U.S.



On November 7, 2023, **Youth Enrichment Brands** announced its acquisition of **School of Rock**, the largest music education franchise system in the world. School of Rock has opened over 500 schools across 14 countries

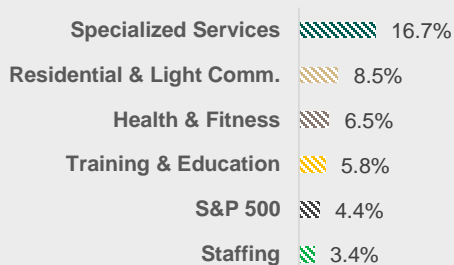


On October 31, 2023, **Princeton Equity Group** announced its acquisition of **Pirtek**, a category-creator and leading franchisor of hydraulic hose repair and replacement services. Pirtek's 145 locations and approximately 400 mobile units serve more than 35,000 customers across the U.S. and Canada

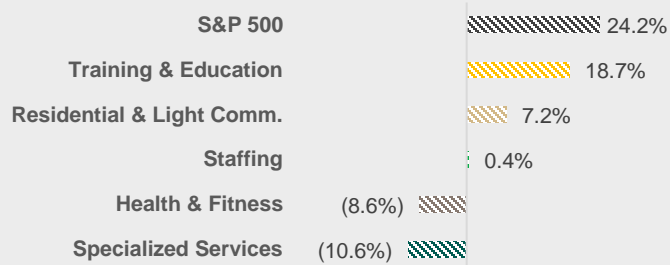


PUBLIC COMPANY VALUATION & OPERATING METRICS

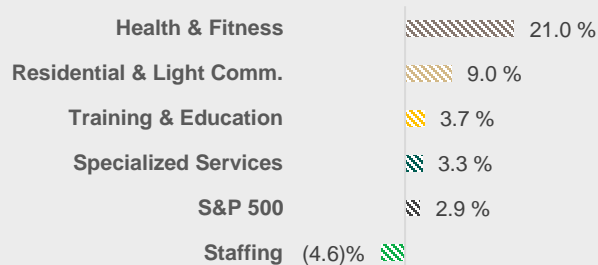
1-MONTH % CHANGE IN STOCK PRICE



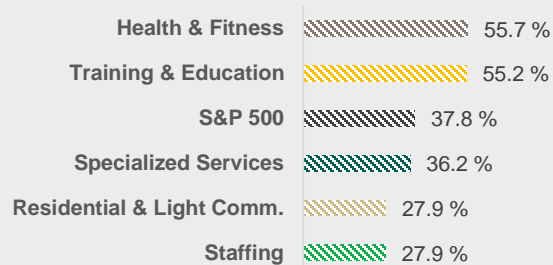
12-MONTH % CHANGE IN STOCK PRICE



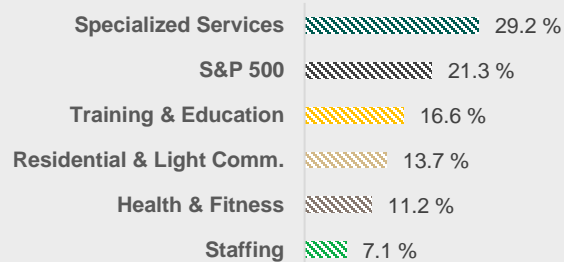
MEDIAN LTM REVENUE GROWTH



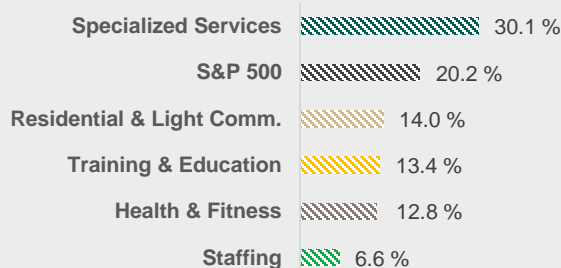
MEDIAN LTM GROSS MARGIN



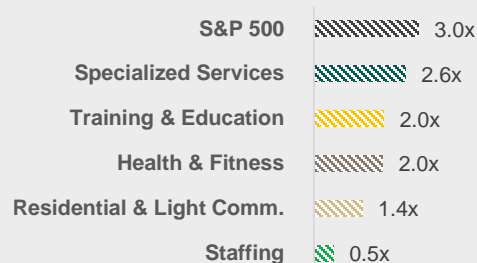
MEDIAN LTM EBITDA MARGIN



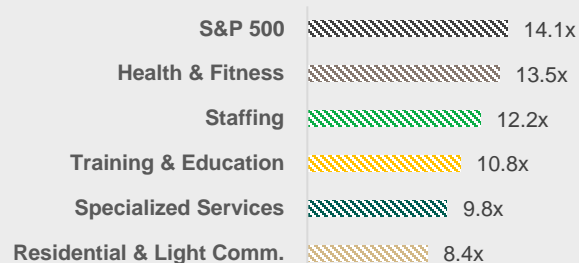
MEDIAN 3-YEAR EBITDA MARGIN



MEDIAN EV / CY 2023 REVENUE MULTIPLE



MEDIAN EV / CY 2023 EBITDA MULTIPLE



PUBLIC COMPARABLE COMPANIES BY SUBSECTOR

\$ U.S. IN MILLIONS, EXCEPT SHARE AMOUNTS

Company	12/29/2023				Last Twelve Months			Revenue Growth		EV Multiple			
	Share Price	% of 52 Week High	Market Cap	Enterprise Value	Revenue	Gross Margin	EBITDA Margin	1-year	3-year	LTM		CY 2023	
										Sales	EBITDA	Sales	EBITDA

CORPORATE TRAINING & EDUCATION

Adtalem Global Education Inc.	\$ 58.95	94.7 %	\$ 2,371	\$ 3,001	\$ 1,496	55.2 %	22.2 %	3.7 %	15.0 %	2.0x	9.0x	2.0x	9.0x
Forrester Research, Inc.	\$ 26.81	68.6 %	\$ 516	\$ 494	\$ 481	57.5 %	11.8 %	(10.6)%	2.3 %	1.0x	8.7x	1.0x	8.7x
Franklin Covey Co.	\$ 43.53	87.5 %	\$ 578	\$ 557	\$ 280	76.2 %	16.8 %	3.2 %	14.1 %	2.0x	11.9x	2.0x	11.9x
Huron Consulting Group Inc.	\$ 102.80	90.7 %	\$ 1,779	\$ 2,170	\$ 1,362	30.8 %	14.8 %	20.3 %	17.3 %	1.6x	10.8x	1.6x	10.8x
Strategic Education, Inc.	\$ 92.37	94.0 %	\$ 2,233	\$ 2,242	\$ 1,133	44.9 %	16.6 %	6.3 %	3.3 %	2.0x	12.0x	2.0x	12.0x
MEAN						52.9 %	16.4 %	4.6 %	10.4 %	1.7x	10.5x	1.7x	10.5x
MEDIAN						55.2 %	16.6 %	3.7 %	14.1 %	2.0x	10.8x	2.0x	10.8x

HEALTH & FITNESS

The Joint Corp.	\$ 9.61	48.1 %	\$ 142	\$ 151	\$ 115	91.2 %	9.7 %	21.0 %	27.4 %	1.3x	13.5x	1.3x	13.5x
Lifetime Brands, Inc.	\$ 6.71	77.8 %	\$ 146	\$ 453	\$ 691	36.9 %	8.2 %	(11.1)%	(2.6)%	0.7x	8.0x	0.7x	8.3x
OneSpaWorld Holdings Limited	\$ 14.10	96.1 %	\$ 1,417	\$ 1,562	\$ 794	11.4 %	11.2 %	45.4 %	87.3 %	2.0x	17.5x	2.0x	17.5x
Planet Fitness, Inc.	\$ 73.00	85.0 %	\$ 6,261	\$ 8,236	\$ 1,001	55.7 %	43.9 %	14.0 %	40.2 %	8.2x	18.8x	8.2x	18.8x
Xponential Fitness, Inc.	\$ 12.89	38.4 %	\$ 398	\$ 820	\$ 319	69.7 %	25.1 %	30.1 %	44.1 %	2.6x	10.3x	2.6x	10.3x
MEAN						53.0 %	19.6 %	19.9 %	39.3 %	3.0x	13.6x	3.0x	13.7x
MEDIAN						55.7 %	11.2 %	21.0 %	40.2 %	2.0x	13.5x	2.0x	13.5x

RESIDENTIAL & LIGHT COMMERCIAL

ABM Industries Incorporated	\$ 44.83	84.5 %	\$ 2,818	\$ 4,205	\$ 8,175	13.8 %	6.0 %	4.0 %	11.7 %	0.5x	8.6x	0.5x	8.6x
ADT Inc.	\$ 6.82	69.3 %	\$ 6,226	\$ 15,655	\$ 4,983	79.8 %	50.6 %	(3.6)%	(2.1)%	3.1x	6.2x	3.1x	6.2x
BrightView Holdings, Inc.	\$ 8.42	91.9 %	\$ 788	\$ 2,243	\$ 2,787	23.9 %	9.7 %	(1.8)%	6.2 %	0.8x	8.3x	0.8x	8.3x
FirstService Corporation	\$ 162.54	95.9 %	\$ 7,328	\$ 8,461	\$ 4,335	32.0 %	9.6 %	15.7 %	16.1 %	2.0x	20.4x	2.0x	20.4x
Rentokil Initial plc	\$ 28.61	68.9 %	\$ 0	\$ 3,866	\$ 6,846	12.4 %	17.7 %	53.0 %	24.2 %	0.6x	3.2x	0.6x	3.2x
Rollins, Inc.	\$ 43.67	97.0 %	\$ 21,138	\$ 21,898	\$ 3,073	52.2 %	23.3 %	14.0 %	12.5 %	7.1x	30.6x	7.1x	30.6x
MEAN						35.7 %	19.5 %	13.5 %	11.4 %	2.4x	12.9x	2.4x	12.9x
MEDIAN						27.9 %	13.7 %	9.0 %	12.1 %	1.4x	8.4x	1.4x	8.4x

SPECIALIZED SERVICES

Carriage Services, Inc.	\$ 25.01	69.5 %	\$ 375	\$ 984	\$ 383	36.2 %	29.2 %	3.3 %	5.1 %	2.6x	8.8x	2.6x	8.8x
Park Lawn Corporation	\$ 14.95	67.7 %	\$ 509	\$ 769	\$ 341	74.4 %	20.5 %	8.8 %	16.0 %	2.3x	11.0x	2.2x	9.8x
Service Corporation International	\$ 68.45	91.7 %	\$ 10,266	\$ 14,666	\$ 4,100	26.6 %	31.0 %	(0.2)%	5.3 %	3.6x	11.5x	3.6x	11.5x
MEAN						45.7 %	26.9 %	4.0 %	8.8 %	2.8x	10.5x	2.8x	10.1x
MEDIAN						36.2 %	29.2 %	3.3 %	5.3 %	2.6x	11.0x	2.6x	9.8x

STAFFING

BGSF, Inc.	\$ 9.40	58.7 %	\$ 102	\$ 173	\$ 317	35.8 %	7.6 %	9.7 %	4.1 %	0.5x	7.2x	0.5x	6.9x
HireQuest, Inc.	\$ 15.35	52.2 %	\$ 214	\$ 226	\$ 36	100.0 %	41.9 %	22.9 %	30.5 %	6.3x	15.0x	6.2x	15.7x
Kelly Services, Inc.	\$ 21.62	97.8 %	\$ 763	\$ 710	\$ 4,836	19.9 %	2.3 %	(2.6)%	2.3 %	0.1x	6.5x	0.1x	6.5x
Kforce Inc.	\$ 67.56	94.9 %	\$ 1,278	\$ 1,316	\$ 1,532	27.9 %	7.1 %	(10.5)%	3.1 %	0.9x	12.2x	0.9x	12.2x
ManpowerGroup Inc.	\$ 79.47	86.0 %	\$ 3,880	\$ 4,689	\$ 18,915	17.8 %	3.0 %	(4.6)%	1.7 %	0.2x	8.3x	0.2x	8.3x
Robert Half Inc.	\$ 87.92	97.9 %	\$ 9,156	\$ 8,642	\$ 6,393	40.3 %	9.1 %	(11.7)%	7.8 %	1.4x	14.9x	1.4x	14.9x
TrueBlue, Inc.	\$ 15.34	73.6 %	\$ 478	\$ 495	\$ 1,906	26.5 %	1.8 %	(15.4)%	1.1 %	0.3x	14.4x	0.3x	14.4x
MEAN						38.3 %	10.4 %	(1.7)%	7.2 %	1.4x	11.2x	1.4x	11.3x
MEDIAN						27.9 %	7.1 %	(4.6)%	3.1 %	0.5x	12.2x	0.5x	12.2x

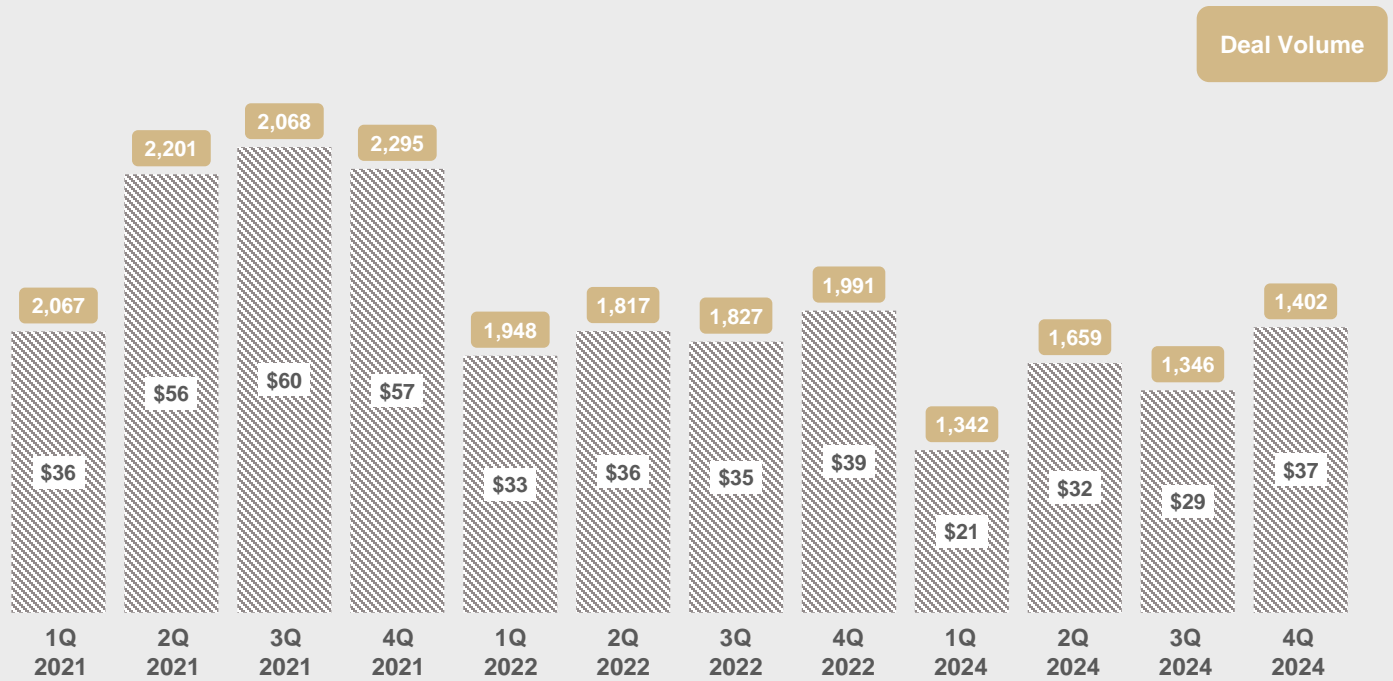
AVERAGE

MEAN						44.2 %	17.3 %	7.8 %	15.1 %	2.1x	11.8x	2.1x	11.8x
MEDIAN						36.6 %	13.3 %	3.9 %	9.7 %	1.8x	10.9x	1.8x	10.6x



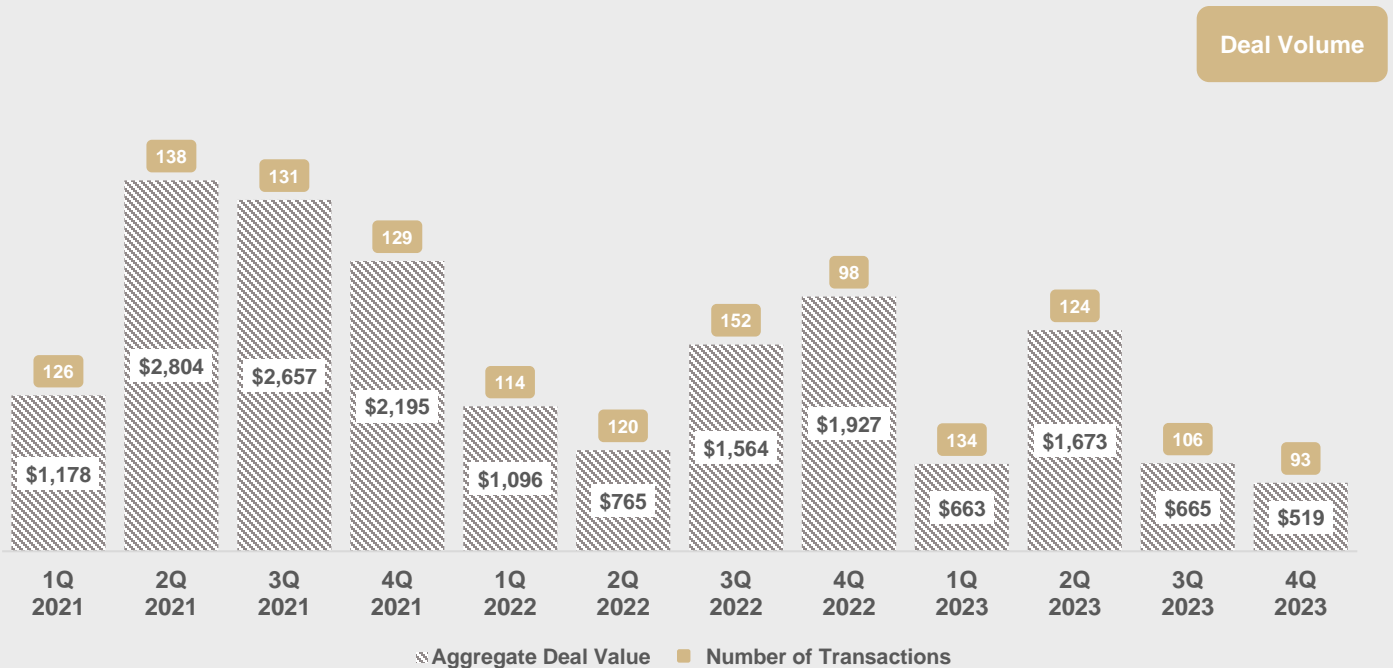
QUARTERLY CONSUMER MIDDLE MARKET M&A VOLUME

AGGREGATE DEAL VALUE (\$ BILLIONS)



QUARTERLY CONSUMER & BUSINESS SERVICES MIDDLE MARKET M&A VOLUME

AGGREGATE DEAL VALUE (\$ MILLIONS)



Aggregate Deal Value Number of Transactions



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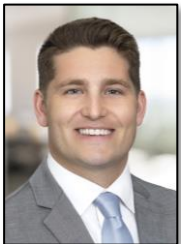
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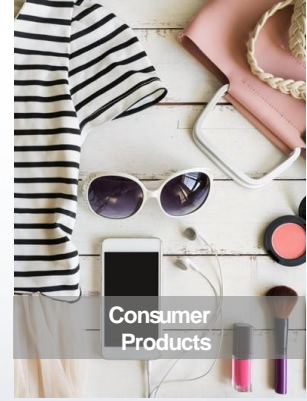
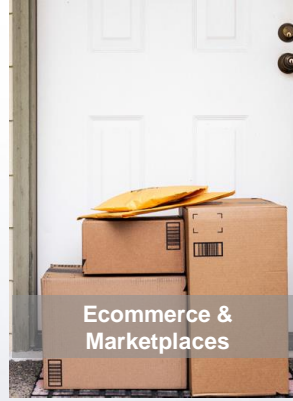
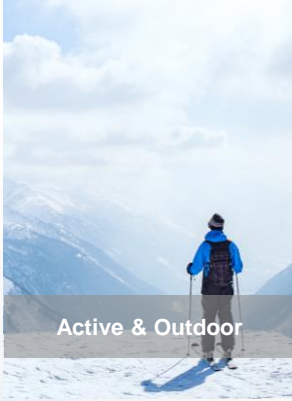
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D.A. Davidson & Co.'s Investment Banking division is a leading full-service investment bank that offers comprehensive financial advisory and capital markets expertise. The group has extensive experience serving middle market clients worldwide across four industry verticals: consumer, diversified industrials, financial institutions, and technology.

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Together with its European partner, MCF Corporate Finance, D.A. Davidson originates and executes transatlantic M&A transactions under the common brand of D.A. Davidson MCF International.

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