FINANCE INSIDER

Why did **Sun Capital** sell **Johnny Rockets** to **Fat Brands**? Investor **Roger Lipton** speculates: "It is reasonable that Johnny Rockets, a well known brand, could be reincarnated, even if reduced in size after the pandemic, under the right leadership. However, if it is so promising, why would Sun Capital let it go for $25 million, especially when Fat Brands management says it is capable of generating $7-$8 million of EBITDA? Our guess is that Johnny Rockets is generating no more than a couple of million dollars for Sun Capital, perhaps not much more than breaking even. Sun bought it from RedZone Capital in 2013, who had bought it in 2007. After thirteen years in private equity hands, you can bet that the energy provided by early management is long gone. It is "just a name" to Sun Capital, to be bought and sold, and the $25 million can be applied elsewhere. Private equity firms always have liquidity concerns as well, so that might come into play here. If Johnny Rockets is breaking even to earning perhaps $2 million for Sun Capital, Fat Brands could probably "adjust" that to a current million or two, and believe they can leverage that over a couple of years to six or seven million of EBITDA. Even if it takes longer, and amounts to only $5 million, it would be a worthwhile ROI for Fat Brands. A lot more than their cost of capital. So…..the seller is tired…..and the buyer is optimistic….and liquid enough….and that's how deals get done."

Investment banker **Susan Miller** of **Morgan Kingston** told the Monitor there were multiple private equity and family office bidders—the "usual suspects," as she described them, bidding for **Via 313**, the Austin-based pizza chain their firm recently sold to Andrew Smith's **Savory Fund**. Via 313 has three locations, two mobile trailers and sales of roughly $12 million. According to Miller, ""Via 313 generates some of the strongest unit economics I have come across in my career. The founders are also very savvy when it comes to technology and financial reporting, which allowed us to run a very efficient sale process." For more information about Morgan Kingston's investment banking practice, contact Miller at smiller@morgankingston.com.

Fat Brands CEO **Andy Weiderhorn** should teach a MBA in financing. The Fatburger, Johnny Rockets and Hurricane Grill & Wings franchisor completed the sale of $40 million of notes, which increased the company's securitization debt to $80 million. Cadence Group, a fintech securitization platform, structured the deal. Weiderhorn told the Monitor there was strong demand for the company's securitized debt and that the deal was "2.5 times oversubscribed and we ended up selling it to two institutional investors." In July, Fat Brands raised $9 million by issuing 8.25% preferred shares.

Former Atlanta restaurant insurance agent, **Walter Gupton**, is now the managing member of The Pleasant Pheasant, a Montana vacation rental retreat near Yellowstone. Gupton told the Monitor it's a wonderful place for families, sportsmen, reunions, or those simply wanting to enjoy the great outdoors. Walter invites all his RFDC friends to consider staying at the retreat when they are visiting Yellowstone. For more information, go to www.thepleasantpheasant.com.

Fresh off the sale of **Tropical Smoothie** to PE fund **Levine Leichtman Capital** partners, **10 Point Capital's Scott Pressly** is looking forward to partnering with another franchise brand. Pressly, a Roark Capital alum, told the Monitor his passion has always been franchising and he enjoys working with founders. Pressly took a majority position in Tropical Smoothie in 2012 as a partner with BIP Capital. 10 Points is currently invested in Phenix Salon Suites and Slim Chickens.

Baird's Chris Sciortino represented **Tropical Smoothie Cafe** in its sale to PE fund **Levine Leichtman Capital Partners.**

Restaurant developer **Mike Dimond** of **Cardinal Development** reports development activity is picking up in QSR, especially in the Yum Brand concepts. Dimond told the Monitor he's aware of a "dual-located" **KFC** and **Pizza Hut** (not a co-brand) that took over a former Pizza Hut "Red Roof" location in a southern state. KFC will use the drive-thru window while the Pizza Hut will offer delivery and carryout only. Dimond said he's seen some former Red Roof pick-up windows receive drive-thru zoning approval in certain municipalities. For more information, contact Mike Dimond at mikedimond@qwestoffice.net.

Dean Haskell told the Monitor that workout specialist, **Greg Smith**, has teamed up with **National Retail Concept Partners**, the consultancy formed by Haskell and Larry Devries. Smith, a CPA, worked in Pizza Hut finance and has completed special projects and turnarounds for franchisees of national concepts and several mid-sized brands. For more information on the firm, contact Haskell at dhaskell@nrcpartners.com.

Crain's New York Business has named **BDO** director, **Dana Zukofsky**, one of the Most Notable Women in Accounting and Consulting in the New York area.

Javier Vasquez is still figuring out how to explain towering comparable sales numbers to a lender. First, know that the CEO of **Miguel's Jr Homestyle Mexican Food**, a 20-unit QSR throughout California's Inland Empire, wants to raise $5 million to $10 million to open seven units by the end of 2022. In normal times borrowing the sum wouldn't be a problem. The system AUV is $2.3 million and Vasquez claims the balance sheet is strong. But comp sales increases are in the high teens because 19 of the 20 units have very busy drive-thrus. Vasquez moreover says his regional bank no longer desires to lend to restaurant companies the size of Miguel Jr.'s. So he's looking at non-traditional sources, including angels, family offices and pension plans. Yet how to come up with a believable same-store-sales scenario to convince a lender? "For 2021, we will go back to 2019 numbers and make the decision to use normal increases in 2020, and that will be the basis of our 2021 numbers," he explains. "And we're going to do a rolling budget but not for the whole year, because we feel it will be too difficult. The 2020 numbers are not stable."