

Franchisees Seek to Control Destiny With Brand Deals



Bellagreen Holdings

Ampex Brands, a franchisee of Yum Brands and 7-Eleven, announces the purchase of Dallas-based restaurant chain Bellagreen, its second deal for an actual brand and yet another example of a franchisee shifting into being a franchisor.



By Nikitha Sattiraju

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Taco Bell and **7-Eleven Inc.** franchisee **Ampex Brands LLC** is enjoying life on the other side of the franchise table and has decided to add to its coffer of wholly owned brands.

The Dallas-based company, which bought 171-location fast casual chain Au Bon Pain last year, recently added a second franchisor in eight-location bistro chain Bellagreen.

The company's interest in brand ownership was driven by a desire to be a "lessor versus a lessee," Ampex founder and CEO **Tabbassum Mumtaz** told The Deal following the Bellagreen deal, announced Monday, July 25.

While Ampex and its founders enjoyed being franchisees, the company wanted to see how it could better other brands as a franchisor, especially in terms of marketing and managing franchisee relationships, he said.

Dallas-based Bellagreen offers salads, pizzas, burgers, pastas and alcoholic beverages, including gluten-free and vegetarian options. The target and seller Hargett Hunter Capital Partners looked to Susan Miller and Sean Mirzabegian at Morgan Kingston Advisers LLC for financial advice and Wyrick Robbins Yates & Ponton LLP for counsel.

Ampex is evaluating more restaurant concepts for potential investment and is looking to the fourth quarter of this year or first quarter of 2023 to potentially close another deal. The company typically looks for brands that can connect with a younger demographic and have a healthy eating focus, synergies with its existing operations and strong growth potential, according to Mumtaz.

Ampex was founded in 2005 to operate KFC, Pizza Hut, Taco Bell and other **Yum! Brands Inc.** (YUM) locations as well as 7-Eleven convenience stores. In 2011, Ampex expanded into franchisors with the acquisition of a stake in **Long John Silver's Restaurants Inc.** as part of a consortium, but Au Bon Pain was the franchisee's first fully owned restaurant brand.

Buying Power

Ampex, which operates over 500 quick-service and fast casual restaurants and convenience store locations, isn't the only franchisee that's acquired restaurant

concepts outright, and it won't be the last.

Franchise owners see the attraction of owning and "controlling their own destiny," when it comes to their brands, Miller at Morgan Kingston said.

Jack in the Box Inc. and Denny's franchisee Yadav Enterprises Inc., for instance, bought Mexican fast casual restaurant **Taco Cabana Inc.** for \$85 million from **Fiesta Restaurant Group Inc.** (FRGI) in July 2021. And **Luby's Inc.** sold American fast casual chain Fuddruckers to one of its largest franchisees — restaurant operator Nicholas Perkins — for \$18.5 million in June 2021.

Restricted by the agreements with their franchisors, many of these franchisees are going after independent brands that do not compete with the mainstream menu categories such as pizza or chicken or those that operate a different service model.

Quick-service franchisees, too, remain flush with cash following exceptional growth during lockdowns due to the lack of competition, drive-thru sales and government programs.

"They've learned a lot and built extremely sophisticated corporate support offices, so why give up 6% to 8% in royalty payments when you can keep it for yourself," Miller said. "We've seen [large franchisees] come in and be extremely competitive."

As to what's next for Ampex, which looked to Chris Hewitt at **Tucker Ellis LLP** for counsel on its most recent deal, the company plans to focus on organic growth in Texas for Bellagreen in 2022, Mumtaz said, and is looking to Dallas, San Antonio and Austin for new locations.

Au Bon Pain, meanwhile, is on track to reach 10 new units by the end of 2022 since its acquisition. Ampex has also been buying back locations from franchisees to get more marketing control, test new products and understand the brand better, he said.

Selling Power

While franchisees have gained in buying power during the pandemic, smaller chains focused on weathering the storm of the past two years had shied from a sale. As many

restaurants are in a better position, however, things are warming up for the lower middle market in terms of processes.

In addition to the Bellagreen deal, for instance, Baton Rouge, La.-based quick-service cheeseburger sliders chain Smalls Sliders bagged an undisclosed investment from Atlanta-based private equity firm [10 Point Capital LLC](#) on Monday. Smalls has four open locations and another 40 in the works in Louisiana, Texas and Mississippi, according to a statement from the brand.

And more are expected to transact as the industry works through its labor and inflation challenges and strong concepts differentiate themselves.

"We are absolutely swamped, I kid you not," said Jeff Brock, founder of Hargett Hunter. "We have never had more nondisclosure agreements signed, and we've never had a larger collection of brands that we value and like at any one time."

Still, some deals are getting delayed as a tough operating environment is making it harder for companies to project future cash flows, creating a disconnect in valuation expectations between some buyers and sellers, as [The Deal previously reported](#).

Raleigh, N.C.-based Hargett invested an undisclosed amount in Bellagreen in 2016. Following the investment, the firm steered Bellagreen through a series of unexpected events that disrupted operations, including Hurricane Harvey and Covid.

"We were able to maneuver it through all of that to get the business on really solid footing and felt now was the time to let someone else take the next step," Brock said. "It's an amazing brand, and Ampex is set up to have a big winner on their hands."

The firm also owns Phoenix-based 17-unit Original Chop Shop Co., another healthy food concept Hargett invested in the same year as Bellagreen. The company is expanding to new markets, with locations in Houston opening last year and new units planned for Atlanta later this year. Original Chop Shop had \$2.4 million in average sales per location in 2021.

EXCLUSIVE

COMPANIES MENTIONED

10 Point Capital LLC

Panera Brands Inc.

Yadav Enterprises Inc.

Long John Silver's Restaurants Inc.

ABP Corp.

Luby's Inc.

Taco Cabana Inc.

Jack In The Box Inc.

Hargett Hunter Capital Partners LLC

Original ChopShop Co.

Yum! Brands Inc.

Ampex Brands LLC

Taco Bell Corp.

7-Eleven Inc.

Tucker Ellis LLP

Fiesta Restaurant Group Inc.

Pizza Hut International LLC

PEOPLE MENTIONED

Tabbassum Mumtaz