



By Joan Szabo

## The Acquisition Fast-Track

Glass Overlay, Pillar To Post, and Floor Coverings International.

These franchises are in 50 states in the U.S., 10 provinces in Canada and 36 other countries

around the world. Systemwide sales topped \$700 million in 2003, and Rogers has set a goal of becoming a billion-dollar company by 2005, generating EBITDA of \$30 million annually.

The Franchise Company is a subsidiary of FirstService Corporation and is owned by FirstService and the management group of The Franchise Company. FirstService is a North American leader in the rapidly growing service sector. Through their non-franchised operations and the franchise systems of The Franchise Company, they provide services to commercial and residential customers in four distinct areas: residential property management, integrated security services, consumer services, and business services.

Rogers was once a College Pro franchisee, and then moved into the manage-

ment group of the franchisor. "Years ago when I was president of College Pro Painters, I realized that what we were really good at was not just the business of painting, but rather we had developed expertise in franchising itself," he explains.

Rogers' background has helped him set the philosophy, vision, and values for The Franchise Company. "Our first test for an acquisition is whether we have a values fit," says Rogers. When the company decides to acquire a new business,

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it looks for high quality franchise systems with great management teams that deliver value for the franchisees' royalty. "A great franchisor has to consider the value equation and ensure it works well for all stakeholders: franchisor, franchisee, the work force, and the end

Steven Rogers has set his company apart from the crowd with a winning formula on acquiring franchise systems in the residential services field. As president and chief executive officer of the Franchise Company, Rogers has amassed 9 franchise operations that provide services to more than 400,000 customers through a network of more than 2,000 franchisees employing 8,500 workers.

Each brand acts as an individual operating company with its own vision, brand strategy, and professional team. Although The Franchise Company is based in Toronto, the majority of its franchise business takes place in the U.S.

The Franchise Company directly owns or controls systems that include California Closets, Paul Davis Restoration, CertaPro Painters, College Pro Painters, Action Window Cleaners, Nutri-Lawn, Stained

customer who pays for it all,” he explains.

Rogers says he is always on the lookout for good acquisitions. The main yardstick is making sure the franchise system has attractive base revenue per unit, a good royalty flow to the franchisor, and strong profit potential for the franchisee. Says Rogers: “At the end of the day the basic question is would I be ‘good to go’ on one of these opportunities if I were a franchisee myself?”

When looking for new acquisitions, the company follows a nine-step procedure originated by First Service. It includes identifying the franchise system, contacting the system, drawing up a confidentiality agreement, and conducting a site meeting. This is followed with a preliminary information review, a letter of intent,

The Franchise Company’s success formula consists of several important components. Each franchise system operates in a decentralized manner with day-to-day decisions delegated to the people on the front line. Platform leaders each have a significant equity stake in the business they run daily.

Although The Franchise Company’s individual franchise companies work independently, Rogers and his staff stay on top of each operation. “Like any partner in a business, we want to have input. The Franchise Company has to be involved with the overall direction and strategy of the company and the financial reporting has to be crisp,” explains Rogers.

Once a franchise system is acquired, Rogers makes sure it is run tightly to ensure profitability. In addition, The

provides The Franchise Company with the ability to determine the effectiveness of branch-name advertising and direct mail campaigns.

The comprehensive leadership program helps franchisors and franchisees improve their skill level. “The program is high-level training that includes coaching and conflict management skills,” he explains.

Rogers attributes his success in the home service field to a number of factors. First of all, his background in the construction industry has helped him understand the acquisitions. In addition, although there was a downturn in certain segments of the economy, the service and property services sectors have remained very buoyant. “Many people were frightened back into their houses after 9-11,

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detailed due diligence, completion of purchase agreement and legal documentation and closing.

Prime candidates for acquisition include those businesses where the sellers are seeking to monetize share value, provide support for a management buy-out, buy out a non-active business partner, provide an exit strategy for founders, or an exit strategy for a portfolio investor. The Franchise Company also is looking for a strong, experienced management team that is prepared to remain with the business and retain an equity position.

Franchise Company provides franchisors with four important benefits. Says Rogers: “We offer help in branding, franchise recruiting (which is done through the Franchise Development Center in Atlanta), customer interaction support, and a comprehensive leadership skills program designed for franchisors and franchisees.”

The Franchise Company has a 70-seat call center that routes customer calls to the appropriate franchise for service. It helps The Franchise Company monitor activity and customer satisfaction. It also

and more people focused on home improvements,” he says.

But The Franchise Company does not plan to limit itself to the home services field. Rogers is considering acquisitions in other areas “that look and feel right.” Says Rogers: “On an opportunistic basis if we see something that looks like it is a great service system and we think we understand the franchise dynamics, then we will make the acquisition.

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