

FRANLIGHT®

A flat quarter for M&A, but green shoots emerge

The third quarter was another tough one for M&A activity. Deal value is down 22.5% year to date [according to PitchBook](#). That's the lowest figure in ten years, apart from when the economy was in the throes of the Covid shutdown. The lack of activity has also been present in the franchising world, as sponsors look for smaller bolt-on deals or ways to create value within the portfolio companies they already have until conditions improve.

So what does that mean for the fourth quarter? Analysts expect a mixed bag. With comments from the Federal Reserve indicating 'higher for longer' interest rates, debt financing will remain expensive across the board. Still, investment bankers are reporting a backlog of deals waiting on the sidelines, and private fund sponsors will eventually have to start putting capital to work.

Some green shoots may already be visible. At the end of September, United Franchise Group acquired Florida-based Cannoli Kitchen Pizza which will become part of its new division - Big Flavor Brands. Then in October, FAT Brands acquired 61-unit Smokey Bones Bar & Grill from Sun Capital Partners. Good Feet Holdings started November with the acquisition of Stretchd, an assisted stretching concept based in New York.

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These deals could provide proof to skittish buyers and sellers that deals can get done - even in a tighter, slower environment.

An [analysis](#) from investment bank Harris Williams suggests that rising momentum in the consumer services franchise segment, especially for companies with non-discretionary and recurring demand are becoming a key source of investor interest. Harris Williams notes that residential services franchisors, for example, saw a number of M&A deals in 2022 and activity is likely to continue as new franchisors come to market.

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- Casual Dining Franchisor

[Franchisor Equity News®](#) has these recent news updates:

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- Smokey Bones Sold To FAT Brands
- Stretchd Bought By Good Feet
- School of Rock Acquired By Roark
- Subway Sold to Roark

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