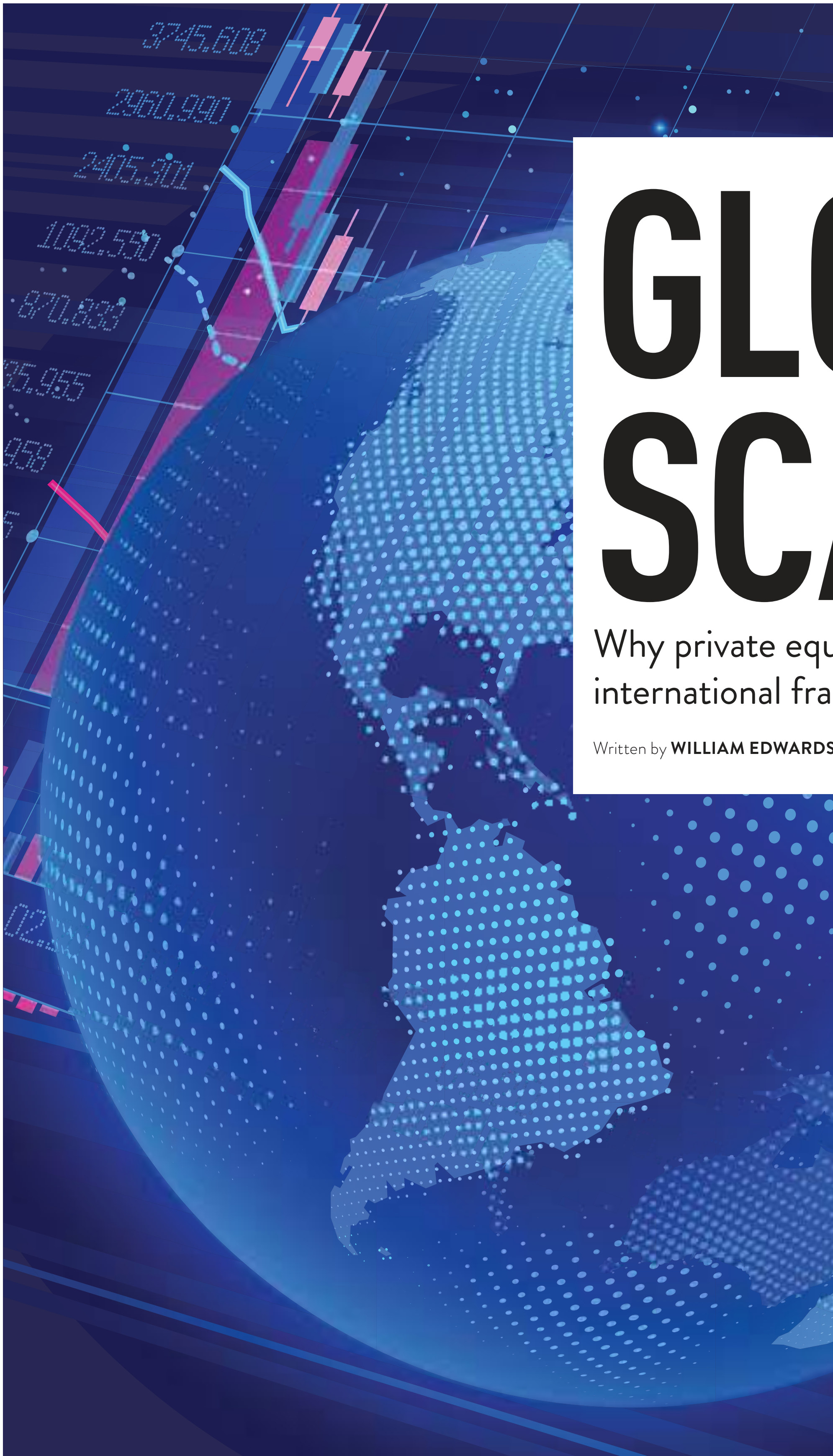

GLOBAL SCALE

Why private equity should bet on international franchising

Written by **WILLIAM EDWARDS**

Private equity (PE) has become one of the strongest growth engines in franchising. Over the past two decades, investors have helped modernize operations, drive scale, and professionalize management across dozens of leading brands. Yet one area often doesn't receive the attention it deserves: international expansion.

The common narrative is that franchisors should focus on the U.S. first. After all, international markets can seem slower, riskier, and harder to manage. But that thinking misses the bigger picture. In my five decades working in global business development, including helping more than 40 franchise brands expand into 35 countries across 12 business sectors, I've seen how international growth transforms not only brands, but their long-term enterprise value.

I speak to this from both sides of the table because I've been a master franchisee in five countries and the senior vice president of international operations for a U.S. franchisor. For more than two decades as CEO of Edwards Global Services, I've guided brands across borders. What I've learned is simple: When done right, global expansion is one of the most powerful and undervalued tools for building lasting franchisor value.

ENTERPRISE VALUE

PE is fundamentally about creating measurable value for exit. International royalties are recurring, high margin, and durable. Once established, they contribute directly to EBITDA with most overhead delegated to the international licensee.

A franchisor generating royalties from 10 or more countries isn't just bigger; it's stronger. International operations prove that the brand's systems, training, and support can scale beyond domestic borders. That global proof of concept enhances both earnings and valuation multiples, which makes all the difference when it's time to sell.

DIVERSIFICATION

Franchising is cyclical. Domestic development ebbs and flows with consumer confidence, credit availability, and labor costs. But global markets rarely move in sync. A slowdown in the U.S. might be offset by expansion in Asia, the Middle East, or Latin America.

DEMONSTRATE STRENGTH

PE investors look for scalable systems, strong leadership, and operational maturity. Successfully expanding abroad proves all three. If a brand can open in different cultures, languages, and regulatory environments, it demonstrates that its model is robust and transferable. That track record signals to buyers that the franchisor has mastered complexity, a quality that commands a premium in any acquisition.

UP-FRONT CAPITAL

Unlike domestic franchising, where units grow one at a time, international expansion is often built on country or regional license agreements. These typically include substantial up-front fees that provide immediate revenue before the first royalty arrives.

For PE investors, that means near-term liquidity and long-term recurring income. Those up-front fees can fund technology upgrades, training systems, or marketing investments here at home, strengthening the entire system while building predictable royalty streams.

TIMING

One of the smartest strategic moves a franchisor can make is to begin international expansion before being acquired by PE. By planting international flags early, a franchisor builds momentum, credibility, and a growth narrative that's hard to ignore. Even a few signed master licensees show proof of concept and pipeline potential, offering tangible evidence of global scalability that enhances valuation at exit.

SMART MONEY

Some of the most successful PE investors in franchising have made acquiring the rights to franchises with international expansion a key aspect of their growth strategy.

Roark Capital has actively supported international growth across its Inspire Brands portfolio, including Dunkin', Baskin-Robbins, and Arby's.

JAB Holding Company has expanded its coffee and bakery holdings, such as Krispy Kreme and Pret a Manger, across continents.

The Riverside Company invested in the Neighborly franchise group, which has international operations, and has demonstrated how strategic global development can enhance value across a multi-brand portfolio.

In mid-2025, Roark Capital acquired Dave's Hot Chicken in a deal valued at $1 billion. What makes this especially relevant is that Dave's Hot Chicken was already expanding internationally. It had signed master franchise agreements, opened units in the Middle East, and had its first restaurant open in the United Kingdom. Thus, Roark's acquisition is not just a bet on U.S. growth, but clearly a global growth play.

These firms understand what data and experience make clear: Global growth compounds value. International expansion isn't an add-on; it's a multiplier.

COMMON OBJECTIONS

For some franchisors, the idea of going global raises immediate concerns:

- **"International deals take too long to sign."** Yes, deals abroad can take time. But one country agreement can equal years of U.S. unit development. Each deal represents a long-term growth engine, not just a single sale.
- **"It takes too long to open the first location."** The first opening of a shop or restaurant in a new market can take 24–36 months, but it's also the most important one. Once that store is open and successful, local partners have the knowledge and infrastructure to expand rapidly. The first store isn't a delay; it's a launchpad.
- **"Royalties take too long to flow."** While royalties follow shop and restaurant openings, initial international license fees provide immediate cash flow. Those up-front payments, often significant, bridge the timeline and create an early return on investment. Over time, recurring royalties become steady, compounding revenue that enhances enterprise value.
- **"Political and economic risks are higher abroad."** Every market carries risk, but global diversification spreads it. When one region slows, others are growing. During periods of domestic turbulence, international markets can sustain earnings and momentum.
- **"International expansion distracts from U.S. growth."** It doesn't have to. With the right structure and experienced partners, franchisors can outsource the identification, vetting, and onboarding of international licensees.

THE PE EFFECT

Private equity investors think in terms of exit value. International expansion enhances that value by:

- Creating long-term, high-margin royalty streams
- Reducing reliance on the U.S. economy
- Proving the brand's adaptability and scalability
- Delivering up-front fees that generate immediate cash flow
- Strengthening the brand's growth story for future buyers

Yes, global development takes time, but so does every strategic transformation.

THE BOTTOM LINE

International expansion is not a distraction. It is a multiplier. It creates diversified, sustainable royalties that compound over time while up-front fees generate cash today. Leading PE firms like Roark, JAB, and Riverside have embraced this model, proving that global franchising is not just viable, but key for long-term brand growth.

For franchisors preparing for private equity investment, or already under PE ownership, the message is clear: Start building a global footprint. The early groundwork pays off in stronger earnings, higher valuations, and a more compelling growth story when it's time to exit. In the end, international expansion is not just about new markets; it's about building a more valuable company. ■

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