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## GE Capital Looks to Sell Franchise Finance Business

By Restaurant Finance Monitor Staff

GE recently announced it would sell most of its GE Capital assets by 2018, in a move to refocus on its industrial businesses. GE Chairman and CEO Jeff Immelt said market conditions are favorable to pursue the sale of GE Capital assets not specifically tied to its industrial units. What does that mean for GE Capital Franchise Finance, one of the largest lenders in the restaurant finance arena?

We reached out to GE for comment, and Shannon Tolbert, chief marketing officer with the franchise finance group, issued this statement to the Monitor:

“On Friday, April 10, GE announced that it will reduce the size of GE Capital through the sale of most GE Capital assets and focus on continued investment and growth in its industrial and manufacturing businesses. GE Capital, Franchise Finance is among the businesses targeted for disposition; however, we’re fully committed to serving our customers and we continue to value our long-standing customer relationships. This business is a market-leading franchise with talented professionals and valuable customer relationships. We anticipate being able to sell our business to buyers who are fully committed to and invested in the financial services industry and can offer a good environment for growth.”

Although a recent Wall Street Journal article reported GE has had a lot of acquisition inquiries already, it’s going to take someone with a big balance sheet to pull the trigger—and that could take a little time. What do others think?

**Shriram Chokshi**, managing director with **Auspex Capital**, thinks there will be an impact on some restaurant businesses: “For the borrower, it’s going to be tougher in that they will have to bring more equity to the transaction. I think GE used to push the leverage slightly more than most other lenders. However, they got compensated for taking the incremental risk—the pricing was about 200 basis points higher than most

other lenders. And this helped get the deals done.”

Amer Quraishi of Marshall Morgan thinks it “will impact tier two and three brands. GE was willing to lend to those brands, where some other traditional banks were not.”

“The way I see it, GE’s Franchise Finance remains a going concern with a strong portfolio, and the parent will seek to sell it,” said Bill Pabst, principal of The Cypress Group. “Someone, likely with a lower cost of funds, will be very interested in buying it and operating it. And with a lower cost of capital combined with an aggressive origination platform, it could be a net positive for the industry longer term.”

Robert Daniel, managing director with restaurant industry lender Regions Bank, agreed it will be sold. “This business is well covered by the traditional commercial banking sector and after exiting the sale/leaseback business last year, the owner/operator side (at GE) has struggled to differentiate amongst other regulated competitors,” he said. “If sold to a non-regulated buyer, they will be able to provide terms to the restaurant industry that stretch beyond traditional commercial bank terms and there is a definite need for that niche in the marketplace. That is the role GE has filled historically, but those lines have blurred as GE Capital became a regulated entity.”

GE entered the franchise finance business by first acquiring the MetLife franchise finance group in the late ‘90s. A bigger step came in 2001 when the lender acquired Franchise Finance Corporation of America, and then again in 2006 when it acquired Truststreet Properties.

GE Capital has deployed billions of dollars into the restaurant business since then and both competitors and clients will be watching this development very closely.