

OUTLOOK

MUY Companies, MUY Sales

Not that long ago, **James Bodenstedt** was content with 18 restaurants. “That was enough for me. We never looked to grow, but we positioned ourselves ready to grow if the opportunity arose,” he said. Bodenstedt is president of MUY! Companies, one of the largest YUM! Brands and Wendy’s franchisees.

And arise it did. Monday, October 4, marked the closing of the last of the sales of MUY’s restaurants—all 755 of them in 11 states—for an undisclosed amount. Franchisee **Shoukat Dhanani** and a newly formed company, **Ayvaz Pizza, LLC**, purchased approximately 360 Pizza Hut locations. Dhanani, currently the largest Burger King franchisee in the system, is entering the Pizza Hut system with this transaction.

Taco Bell franchisee, **HAZA Bells** and Wendy’s franchisee, **HAZA Foods**, both owned by **Ali Dhanani**, recently purchased MUY’s 85 Taco Bells and about half of the 318 Wendy’s. **Roland Spongberg**, founder and CEO of **WKS Restaurant Group**; **John Hughes** of **Wendy’s of Bowling Green**; **Sanjay Mehra**, CEO of **Spark United Restaurant Holdings**, and **Santiago Chico**, CEO of **916 Foods** purchased the remaining locations.

“I think I can say that this was one of the largest franchisee transactions ever,” said **Chris Kelleher**, managing director with **Auspex Capital**, the investment banking firm that managed and advised on the deal.

It’s complicated

“There were actually 17 separate transactions, including 755 restaurants, about 25 fee properties, the corporate office and the corporate aircraft,” Kelleher said of the sale.

It was all-hands on deck for the Auspex team, as the process started in mid-March with the closing of all the deals six months later—no mean feat. “James was at his home in Italy during long stretches of the sales process so there were weeks where I started with strategy calls with James at 2 a.m. and would quit at midnight the following day, after hours-long APA drafting calls with the lawyers,” said Kelleher.

They had originally structured the Wendy’s deal to sell all of them to Ali Dhanani, but it had to be redone when Dhanani reached the franchisor’s cap on the number of units one company can own.

“That process was a challenge,” he said, “because we broke

it up into pieces. And we spent a lot of time with the new Wendy’s franchisees, helping them transition smoothly into the system. That’s hours and hours, especially with due diligence from the franchisor and the buyers’ lenders.”

And at the same time, Auspex handled the debt raise for three of the buyers, too. “There was a seven-bank deal and two five-bank deals,” Kelleher said.

“James is a very experienced dealmaker,” he said. “He understands the process and how to navigate with the franchisors, which is a key part of all of this. He gave us a lot of latitude, as well. He provided great leadership, which is key to the trust built up between everyone who worked on the transactions.”

The Auspex team saw that first hand. They have handled 84 transactions for MUY since first meeting Bodenstedt in 2001. “This is bittersweet for us,” said Kelleher of the long relationship he and his colleagues have had with the MUY team. “We just built great professional and personal relationships with them.”

“I’ve spent 20 years working with Auspex,” said Bodenstedt. “I wouldn’t have grown like I had without them.”

Sharing the pie

Coming in at No. 5 on the 2021 Monitor 200 ranking—the top restaurant franchisees in the nation ranked by sales—MUY was less than half that size 10 years ago, when the company was featured on the cover of Franchise Times, the Monitor’s sister publication, in April 2011: They had 250 restaurants.

Auspex had been advising Bodenstedt and his team since the beginning. “We were with him in his first deal in 2003 when he had zero stores,” said Kelleher. “The magic with James is that he has a great gift for spotting the deal and buying right. And he ran them right, too.”

Part of running them “right” was a keen eye for bringing on talented people, and giving them a stake in the business once they proved themselves. “I don’t always know what the right thing to do is,” said Bodenstedt, “but I can see what has been done incorrectly in the past and what has caused problems.”

And for any restaurant business, that problem is chiefly turnover, at all levels.

“I wanted to make sure the team was focused on the long term,” he told the Monitor. “When you have turnover, it creates a ripple effect throughout the organization.” Each

member of his executive management team was given a stake of ownership in the company.

“When you get the right people, allowing them to have ownership helps with consistency,” Bodenstedt said. “Most companies have a bonus program that changes every year. Ours didn’t change in 20 years.” When people know the goals needed to achieve, and can count on that, they are more likely to meet them.

He said their management turnover was 2%, a small number for the restaurant business, “and our area coach turnover was less than that,” he said. “At some higher levels, our turnover was almost zero.”

Seven direct reports have been with him for years, and Bodenstedt also extended ownership to individuals two more layers down from that, leaving him with a 75% stake in the company.

“There were 17 millionaires created through this (sale),” he reported.

The Non-Acquirer Acquirer

And while Bodenstedt never set out to have a lot of restaurants, he said that throughout the years he acquired about 1,000 locations, some of which were sold years ago.

“Most people thought I was this big acquirer,” he said. “but I turned down a lot of opportunities, too.” For a variety of reasons along the way—maybe the wrong price, wrong geographic fit—he said he probably acted on 10% of the deals set before him.

He had it in his mind to sell in about 2024, “but what I believed was going to happen with the new tax law accelerated that,” he said. “Turns out I was right, it just wasn’t as significant as I thought it would be. Nonetheless, it was just enough that any future value we created would be eaten up by taxes.”

Kelleher sat down with him in late February to explore where the company was financially. “James put together a presentation to his management team and said this is where we are, and this is what we could get,” he said. “It was a unanimous vote to sell it.”

What Bodenstedt will do in retirement is still bit of a mystery, as he said he’ll “be doing what retired people do—travel, you know, the normal retired stuff...Probably volunteer.” But we think he won’t be walking into the sunset long—not for the guy who likes to build things, and bring other people with him.