

The Dwyer Group Investment Summary

Transaction Summary

Cohesive Capital Partners, L.P. (“Cohesive”) is investing \$5 million in the preferred equity (8%/annum PIK coupon) of The Dwyer Group, Inc. (“Dwyer” or the “Company”). TZP Capital Partners I, L.P. (“TZP”) is leading the buyout at a purchase price of \$150 million, or 8.4x 12/31/10E adjusted EBITDA of \$17.8 million (“EBITDA”). The purchase price is comprised of \$72.8 million (4.1x EBITDA) of preferred equity, \$56.0 million (3.1x EBITDA) of senior debt and \$28.4 million (1.6x EBITDA) of mezzanine debt and unsecured obligations. Management is rolling and investing \$8.8 million of capital into the transaction.

Company Description

Founded in 1981 and headquartered in Waco, Texas, Dwyer is a leading operator of multiple franchise concepts, each providing need-based specialty services principally focused on maintenance and repairs in the residential and light commercial markets. One of the world’s largest franchising organizations with 1,218 North American-based and 283 international franchisees, Dwyer has U.S. and Canadian system-wide (consumer level) sales for 2010E of \$649 million. The Company’s franchisees generally compete on the basis of service and reputation. Dwyer positions its brands as premium providers of service in their trades. The Company’s franchise brands are:

<u>Concept</u>	<u>Description</u>	<u>2010E System Revenues (\$000)</u>
Mr. Rooter	Plumbing maintenance & repair	\$234,720
Glass Doctor	Auto and residential glass replacement & repair	\$140,400
Rainbow International	Flood and fire restoration & cleaning	\$82,750
Aire Serv	HVAC maintenance, repair & installation	\$66,800
Mr. Electric	Electrical maintenance & repair	\$62,460
Mr. Appliance	Appliance repair	\$34,800
Grounds Guys	Lawn and landscape maintenance (started in 2010)	\$600

Investment Considerations

- *Attractive spread of risk:* Multiple franchise concepts with geographic and end-market diversification.
- *Sustainable need-based service offerings:* Approximately 75% of the Company’s system sales are driven by emergencies or urgent service needs. Need-based residential and light commercial repair services are a \$47 billion industry.
- *Recurring revenue stream with low cyclical exposure:* 39% of revenues from royalties (CAGR of 8.0% from 2004 to 2010E). During recessions, a decline in system sales does not impact Dwyer’s EBITDA as much as franchisees’ earnings. Economies of scale result in significant margin expansion as revenues grow.
- *High free cash flow:* Low capex and working capital requirements enable over 90% of EBITDA to become free cash flow.
- *Compelling value proposition to franchisees:* Franchisees receive access to best-in-class business education, training, support, marketing, and technology.
- *TZP’s significant franchise industry expertise and experience:* Led by Sam Katz, TZP is a \$180 million private equity fund focused on business and consumer services verticals. Sam was a senior executive at HFS / Cendant and has spent over 20 years successfully operating and investing in franchisors and franchise systems including Century 21, Coldwell Banker, ERA, NRT, Ramada Worldwide, Days Inn, Avis, Budget, and Jackson Hewitt Tax Service.
- *Strong new franchise sales and lead conversion:* High lead/sales and closing ratios. Over 3 million qualified prospects in target markets.
- *Attractive growth opportunities:* Royalty rate increases, new franchise sales, targeted marketing/lead generation, cross-selling, national accounts, and acquisitions.
- *Strong and committed management:* Deep culture and proven management team broadly invested in the transaction.