

PRIVATE COMPANIES

THE FRANCHISE KING

Greg Flynn is bagging restaurants and hotels by the thousands – and now he's gone international

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SAN FRANCISCO BUSINESS TIMES

July 7-13, 2023
Vol. 37, No. 52, \$10.00
275 Battery St.
Suite 250
San Francisco, CA 94111



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Greg Flynn
founded Flynn
Restaurant
Group in 1999.

GREG FLYNN'S RAPID RISE

It has restaurants, hotels — and now its first overseas venture

BY ALEX BARREIRA | abarreira@bizjournals.com

While AI, cryptocurrency and SPACs have grabbed the headlines and attention in the last several years, San Francisco investor Greg Flynn has turned more traditional businesses like Pizza Hut, Wendy's and the Hilton Garden Inn into a billion-dollar empire several times over.

Since 2020, Flynn's two-pronged hospitality empire — consisting of food franchise operator Flynn Restaurant Group LP and real estate investment arm Flynn Properties Inc. — has scaled new heights around the U.S. and, recently, beyond its borders for the first time.

He's leveraged his partners' strong private financing position in a pandemic-jolted market to add more than

one thousand restaurants, becoming the world's largest franchise operator and one of the 20 biggest foodservice companies in the U.S. Then by virtue of two deals worth a combined \$1.3 billion, Flynn and investment firm Vårde Partners teamed up for a controlling stake in more than 100 select-service hotels around the country for Flynn Properties.

Most recently, in March, his joint venture with Highgate Hotels



SENJA LARSEN

acquired one of San Francisco's most historic properties – the 12-story, 135-room Nob Hill landmark Huntington Hotel – out of bankruptcy auction with plans to restore it to its former top destination glory.

Flynn Restaurant Group, which he founded in 1999, has more than doubled since 2020 to more than 2,600 restaurants, generating about \$4.2 billion in annual revenue and employing more than 75,000 people nationwide. Last month it acquired the master franchise license for Pizza Hut in Australia while taking over another 260 locations on the continent.

Flynn's hospitality and restaur-

ant bets are more remarkable for their efficiency. Often targeting assets burdened with significant debt, he has secured pricing far below replacement costs, and enabled those savings to be channeled into improvements to increase those property values in turn.

It was Flynn's willingness, for instance, to invest millions of additional dollars into improvements on Wendy's franchises that helped seal the deal to acquire bankrupt NPC International Inc. and its more than 1,100 combined Pizza Hut and Wendy's franchise agreements in early 2021 – prevailing over opposition from Wen-

dy's Co., which made its own offer with a consortium of regional franchisees.

When Flynn and Highgate Hotels took title on the Huntington Hotel – for an undisclosed price Flynn acknowledged was less than the \$56.2 million delinquent mortgage – it was the steep discount that led Flynn to pledge “tens of millions of dollars” toward a full-scale remodel. The hotel is expected to open in 2025 with ambitions to be San Francisco's top luxury stay.

Nineties wrap

Flynn got his MBA from Stanford Business School in 1994 and progressed from there to an unofficial degree in what he calls the “school of hard knocks” with his first investments in the restaurant industry. The year was 1995, and the early popularity of a friend's San Francisco fast-casual restaurant, World Wrapps, had him dreaming he was onto the next Starbucks.

He came on board and for the next four years spearheaded development of 14 World Wrapps restaurants in the Puget Sound region, sometimes covering a shift in front or back of the house and learning that it was virtually impossible to secure financing for an independent restaurant trying to establish itself as a chain brand.

“If you're going to be in the restaurant business there's different ways to do it, and I was doing it in the wrong way,” Flynn told me in a recent interview. “I came to understand at the least risky end are the big bad chains.”

Flynn found chains were an easier sell at virtually every step of the process – they had high brand awareness, huge marketing budgets, landlords wanting to lease to them, and vendors eager to deal on favorable terms for the volume of business they could provide. Buoyed by a then new (and short lived) form of financing – called 70% loan-to-value (LTV) loans – banks would aggressively lend to borrowers interested in buying or build top-tier franchise restaurants.



THE FLYNN EMPIRE

Greg Flynn has built a two-pronged hospitality empire – food franchise operator Flynn Restaurant Group LP and real estate investment arm Flynn Properties – under the Bay Area-based Flynn Holdings umbrella. Here's a look at the breakdown.

FLYNN RESTAURANT GROUP LP

Franchise	Restaurants	Employees	Established
Applebee's*	439	21K	1999
Taco Bell	238	7.8K	2013
Panera	128	5K	2015
Arby's*	360	6.5K	2018
Pizza Hut*	945	19K	2021
Pizza Hut Australia	260	2K	2023
Wendy's	190	5.7K	2021

* largest franchisee of that brand

Totals:

The restaurant unit has 2,357 restaurants, more than 75,000 employees, \$4.2 billion in annual revenue

FLYNN PROPERTIES INC.

Select service and extended-stay hotels:

115 hotels with 11,606 rooms, primarily Marriott- and Hilton-branded, spread across 29 U.S. states

Luxury hotels:

- ▶ Huntington Hotel, San Francisco (joint venture with Highgate Hotels)
- ▶ Four Auberge Resorts (Solage Napa Valley, Hotel Madeline in Colorado, Esperanza and Chileno Bay in Los Cabos, Mexico)
- ▶ Carneros Resort & Spa (Napa)

Office property:

122,000-square-foot office building at 222 Kearney St. in San Francisco

Totals:

The property unit has annual revenue of \$700 million and gross asset value of \$2.2 billion

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So for about \$12 million (all but \$500,000 borrowed), Flynn entered the casual dining segment with a leading brand, buying franchise agreements for eight Applebee's in the Pacific Northwest. He partnered with the developer behind those locations – a lifetime Applebee's employee – and gave him the freedom to adapt the business for what works in Washington, rather than a one-size-fits-all philosophy all too common among franchisers.

"Sure enough, it turned on a dime," Flynn recalls, as the portfolio went from about \$45,000 per week in sales to \$60,000 within a year and a half. The ball was rolling, and it wasn't long before he was on the phone with the seller of those eight restaurants, asking if they might be willing to sell another two franchises more. Then in 2001 Flynn bought 62 more.

"That's the difference between making a little bit of money and making a lot of money," he said.

Robber barons

For Flynn, there are parallels between what he studied as an undergraduate at Brown University, where he graduated summa cum laude in 1986, and the empire he's built today. He was fascinated by the titans of industry in the U.S. Gilded Age of the late 19th century. The so-called "robber barons" of the railroad, oil and steel-making industries who concentrated unprecedented economic power into vertically integrated quasi-monopolies, mastering what Flynn calls "the determined exploitation of scale."

"There are very real scale economies in our business just like there are in shipbuilding or steelmaking," Flynn told me. "With that you can attract the best people to work for you and run those central functions – so the thing you're delivering is at a lower cost and higher quality."

The thinking informs the leadership structure of the franchise group. Compared with the top-down, "classic command-and-control pyramid" in which the leader transmits orders

down the ranks, Flynn describes his franchise group as a "decentralized state and federal system." Market presidents oversee groups of a few dozen restaurants each ("the states") while on the "federal" side a team of about 300 people at a central office in Cleveland handle human resources, finance, accounting, administration and real estate.

"Our markets can and often do things quite differently even within a single brand – but that's important because we trust our local operators to understand," Flynn said. "What we're trying to do is recreate the experience of a local owner-operator, in terms of the authority to run local operations and the financial interest in success."

Profit-sharing is an important part of the structure, mimicking the kind of performance-based return of local ownership. Add to that the "real prize" of equity participation: in which each market president receives what Flynn called "a very meaningful" stake in the whole company.

There are also something akin

ABOUT GREG FLYNN

Age:
59

Residence:
Presidio

Education:
B.A. in history, Brown University, 1986;
M.A. in history, Yale University, 1992;
MBA, Stanford University Graduate School of Business, 1994

Family:
Wife Julie, twin sons Jamie and Michael (25), daughter Sarah (22)

Philanthropy:
Flynn Restaurant Group made \$9.5 million in charitable and food donations in 2022, raised through franchise-hosted drives and the Flynn Family Fund assisting Flynn employees.

Fun fact:
Was on the Exploratorium museum's Board of Trustees for 12 years.

Greg Flynn's hotel unit and partner bought the Huntington Hotel in San Francisco's Nob Hill and plan a major renovation.



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to “laws” that sacrosanct for every franchise on the map – standards of cleanliness and speed with capital-requiring fixes. The proverbial out of order ice cream machines don’t stay broken here.

Aaron Noveshen, founder of San Francisco food and beverage consultancy The Culinary Edge and CEO of Starbird chicken – early in its own franchising journey – has known Flynn since Noveshen himself was a founding partner in World Wrapps in the mid-1990s. As an adviser to most of the country’s largest franchisors, including Panera and Applebee’s through TCE, Noveshen said that Flynn’s group stands out for the freedom and resources it puts in the hands of middle management.

“They empower their individual general managers to be business people,” he said. “They can make decisions about the team, they’re aware of the P&L, they’re understanding the numbers of the business. Some companies hold back on a lot of that.”

Flynn’s good relationships with capital partners, he added, give the group a competitive edge for acquisitions and maintenance.

“And Greg’s a driven guy,” Noveshen said. “He has a kind of relentless pursuit of winning and being successful. And if you have a good team and the money behind it – that’s a good combination.”

Flynn wrote his “closest thing to a master’s thesis” on John Roach, an Irishman who immigrated to America at 31 and built what would become, for a good two-and-a-half decades in the mid-19th century, the world’s largest shipbuilding company. But it was undone when U.S. Navy officials, pressured by economic and political rivals, backtracked part way through a massive contract they’d given his company to modernize the fleet with steam ships. When Roach died in 1877 his company was in receivership.

“There’s a lesson there,” Flynn said. “Don’t put all your eggs in one basket.”

Hotel scale-ifornia

Believe it or not, Flynn says, a lot of people around the country get married in Hilton Garden Inns.

Along with the weddings, bud-

get-conscious and loyalty card-carrying church groups, traveling teams, people in town on business or families driving for vacation make select-service hotels like Marriott Courtyard, Homewood Suites by Hilton and Country Inn & Suites by Radisson a quietly formidable investment.

Flynn Properties has grown its portfolio of select-service hotels from six in 2020 to 115 as of 2023 on the back of two deals, first acquiring 20 hotels from Apple Hospitality REIT then acquiring an 80% interest in an additional 89 – the highest concentration of them in California and Texas – from Highgate and Cerberus Capital Management LP.

Flynn Properties also owns six luxury hotels: the Huntington, four Auberge Resorts properties (including the Solage Napa Valley and the Esperanza and Chileno Bay in Los Cabos, Mexico), and the Carneros Resort & Spa in Napa.

This “barbell strategy” of hotel investment – luxury at one end and select-service at the other – plays to the best of both worlds while avoiding the messy middle, Flynn said. But the success of his restaurant operations helped him appreciate further the value that, well, value hotels bring because they scale to a much broader audience.

At the Huntington, Flynn plans to channel his savings on the acquisition price into a massive renovation of tens of millions of dollars. In many ways the Huntington encapsulates the kind of decline facing San Francisco through the pandemic and into the future: a historic property in a desirable location that’s fallen victim to hard times, and skirted around by investors who see San Francisco hospitality as a falling knife in this economy.

The hotel hadn’t been profitable for more than a decade before its early pandemic shutdown, and, like the city’s largest hotel and largest mall, it succumbed to CMBS debt and was strategically abandoned in the high-interest-rate environment that makes refinancing a dead-end.

“My goal is to make the Huntington a symbol of the city’s resurrection,” Flynn said. “I believe in this city, and I’m putting my money where my mouth is.” ❧