

# OPIC Highlights

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OPIC AND U.S. FRANCHISORS

## HELPING SMALL U.S. FRANCHISORS EXPAND GLOBALLY

The Overseas Private Investment Corporation is committed to helping America's small business franchisors grow through long-term investments in emerging markets around the world. Taking advantage of promising opportunities globally is not easy. Emerging markets present unique investment risks and financing obstacles. That's why OPIC helps U.S. small businesses meet these challenges.

### FINANCING GROWTH

OPIC is able to provide financing to a variety of small business entities involved in international franchise relationships. To qualify a project as a "small business" project, the franchisor (parent company) involved must be a U.S. company that has annual consolidated revenues of less than \$250 million.

OPIC may provide direct loans up to \$4 million either to the U.S. franchisor to on-lend to franchisees in eligible developing countries or to its local franchisees in developing countries. If the loan is being made directly to the local franchisee, the U.S. franchisor must demonstrate "significant involvement" with the local franchisee by meeting four criteria:

- The ongoing receipt of fees/royalties from the franchisee
- The local use of the franchisor's trademark or brand,
- A long term, direct contractual relationship with the local franchisee, and
- The local franchisee's reliance on business systems or technology developed by the U.S. franchisor.

Credit criteria focus on cash flow analysis:

- Operating cash flow of the U.S. franchisor must be positive.
- Franchisor's brand and products/services should be competitive in the local market.
- Franchisee should have successful business management experience.
- Project financial plan must not include more than 50% debt financing for a new enterprise or more than 75% debt financing for expansion of an existing enterprise.
- Preference is given to expansions of existing franchisees with ongoing operations and positive operating cash flow. External credit support (e.g., collateral; a sponsor guaranty) will be required if existing cash flow is insufficient to service debt.

For specific information required to support the loan application, please refer to the OPIC web site at:

[www.opic.gov/finance/products/franchiselending.htm](http://www.opic.gov/finance/products/franchiselending.htm)



OPIC is a self-sustaining U.S. agency that encourages private investment in some 145 developing nations and emerging markets worldwide. OPIC's political risk insurance, project financing and investment funds fill a commercial void, and contribute to the development of emerging economies. Since 1971, OPIC has supported \$138 billion worth of investments that will generate \$64 billion in U.S. exports and create more than 250,000 American jobs. For more information on how OPIC can help franchisors or to obtain application forms: contact OPIC InfoLine at 202-336-8799 or e-mail OPIC at [info@opic.gov](mailto:info@opic.gov). For information via the Internet go to <http://www.opic.gov> To subscribe to OPICNews, please e-mail us at [OPICNews@OPIC.gov](mailto:OPICNews@OPIC.gov) with 'subscribe' in the subject line.