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## **Flip Flop Shops fields investor calls, both capital raise and sale more likely to come later - CEO**

Chris Marr in Atlanta | September 9, 2011

**Flip Flop Shops**, a specialty retailer that sells flip flops and sandals, is attracting interest from private equity investors thanks to its fast growth, said CEO Darin Kraetsch.

The privately held company is not actively seeking capital but is open to conversations, he said, adding likewise it would not shut the door on would-be acquirers, although a sale is probably further into the future.

The Kennesaw, Georgia-based company could benefit from a near-term capital infusion, he said, but it is too small yet for most mid-market PE firms, which tend to want to invest USD 8m to 10m. The company recorded system-wide sales of USD 6.2m last year, up from USD 680,000 in its first year of operation, 2007, according to its listing on this year's Inc. 500.

The company's primary growth focus is opening new franchise locations, the CEO said, and it announced its 100th franchise agreement earlier this summer. It has 46 locations open now and expects to have 55 open by year end, on its way to a projected store count of 236 by 2013, he said. Sales volumes average approximately USD 350,000 annually per store, he said. At that average, the company could record more than USD 80m of annual system-wide sales at the 236- store mark.

A near-term investment by a strategic partner or early-stage investment firm could help the company pursue larger growth initiatives, Kraetsch said. Among them, the business could negotiate bulk purchasing agreements with product manufacturers, develop private-label products to be manufactured overseas, or ensure the company's dominance in its segment through a broader real estate strategy.

Kraetsch and his business partners, including President Brian Curin, have experience with building restaurant/retail franchise brands including **Cold Stone Creamery** and **Moe's Southwest Grill** from the conceptual stage up to a significant footprint before their eventual sale to multi-brand holding companies. The CEO said he suspects Flip Flop Shops could follow a similar path, as he realizes his expertise lies in the start-up and early expansion stages. After that, "it will be a great opportunity for somebody who wants to take it to the next level," he said, noting a private equity buyer seems more likely but strategic buyers should not be ruled out.

Among the company's advisors is Will Woods of the Dallas-based law firm Baker Botts, who serves as corporate counsel. Kraetsch also noted he remains in contact with Neal Aronson of Roark Capital, which owns **Focus Brands** and acquired Moe's Southwest Grill under the Focus banner in 2007.