CASE STUDY

Damage Resulting From the Termination of a Franchise Agreement

SITUATION

A company signed a franchise agreement for the development of a new fast-food chain in France. The franchisor terminated the contract after two years because the schedule for opening restaurants was not met.

The franchisee initiated international arbitration proceedings (ICC) to claim compensation for its loss, estimated at around €35 million.

OUR ROLE

FTI Consulting was appointed by the franchisee to assess the loss resulting from the termination of the contract.

Our work focused on the following areas:

— study of the French fast-food market and the development prospects of the new franchise;

— analysis of the relevance of the contemporary business plan as a basis for calculating the lost profits;

— valuation of the lost opportunity to develop the restaurant network;

— valuation of the investments made at a loss;

— valuation of the residual value of the restaurants opened before the termination of the contract.

We prepared an independent expert report detailing our analysis and conclusions. We also testified at the hearing.

OUR IMPACT

Through the analysis of pre-contractual exchanges and the use of contemporary factual documents, which we checked for consistency with public data, our work allowed us to quantify the loss of profit in a robust manner.

Our analyses also allowed us to justify the amount of investments made at a loss as an alternative and minimal measure of the loss.

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