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Matt talks with the President of Mr. Handyman

Matt: Welcome everybody. This is Matt Biskup from FranchiseOpportunities.com. I am the executive editor. We are here today with Todd Recknagel who is president of the Mr. Handyman franchise organization. Hello and good morning, Todd.

Todd: Hey Matt. Thanks. I appreciate it. And good to be with you.

Matt: Thank you. We've got some good questions here. The Mr. Handyman system is a pretty robust and mature franchise system on the franchise marketplace. You're going to see, as we go through, that this is an organization that knows what it's doing and is at the forefront of its field. In fact, Todd, I'll start out there. I'd noticed that one of the major magazines noted as the number one handyman service. Can you tell me a little bit about that?

Todd: We've been ranked number one in our segment for the last four years by Entrepreneur Magazine. They've ranked us number one in our category. And we've continued to climb up the Franchise 500 list.

Matt: That's a pretty strong recommendation from an outside source. It definitely caught my eye as I look at franchise organizations and try to discover some more things about them. Let's start in the neighborhood – what is the consumer face of Mr. Handyman.

Todd: Essentially, we're operating in about a \$40 billion marketplace which is the home maintenance and repair service market. What that means for the consumer is that everybody basically has a to-do list hanging out their refrigerator. Or the honey-do list. And we service that market. And a good majority of that market historically has been served by what we call "Chuck in a truck," which is just the local handyman, the word-of-mouth kind of thing. Or people end up with a do-it-yourself, the honey-do side of it. And what we do is we bring a professionalism to taking care of those home maintenance repair items. So our service basically comes in with a uniformed technician who has been background checked and bonded and insured and very well trained with 15 years average experience and comes in a marked van. We show up on time, we have a full satisfaction guarantee and so for the price that you pay, you'd be amazed that he can wipe out 20 items on your to-do list in a three or four hour period. And you're just kind of shocked that the guy shows up ready to work and your satisfaction of having that work complete has earned us a 99 percent satisfaction rating on our most recent customer survey.

Matt: That's an impressive number when you think about that. I hadn't thought about the breadth of the skills. What are the types of things that are common, and maybe you can tell me something that's not so common that may have been encountered or fixed?

Todd: I'll try to give you the good, bad and the ugly. We do all kinds of dry wall repairs and a lot of wood repairs and often times, somebody will come...maybe they've ordered a door or something from Home Depot and when they really got into the door, they found out that the reason the door was falling off was the dry rot around the door. And so we just will do a lot of things like that – brick pavers to gutter clean-outs or repairs. There's just all kinds of little repair jobs inside and out of the home that generally, our technicians are experienced and skilled and can show up at the home ready to work and able to do any one of 500 different jobs. That's the beauty of it. We find often times, in fact more often than not, over 50 percent of the cases, we show up at the home and then we'll say "Hey we're here right now, is there anything else?" And generally, the homeowner will add significant work to what we're already doing.

Matt: That's a great point from a business stand point. But I was laughing because I just envision what my wife's face would look like if she ever heard that question. It's a much longer list than she even dares present to me.

Todd: Some of the odd jobs that we've had. We got called a few years back and a couple had an old family dog and they just couldn't bring themselves to leave the dog, after it had died, with the veterinarian. But then they also couldn't bring themselves to bury the dog. So they called us and asked us if we would come out and bury the dog in their backyard for them. So we sort of became the canine undertaker in that particular case.

Matt: One of the things that appeals to me about my line of work is the fact that it's not the same every single day. It's literally different and it sounds like that is something that would be a strength for somebody who really has that desire to not have a boring, same old, in a rut type of job.

Todd: Absolutely. It's fun to work with the technicians and meet the different customers. A lot of our most successful owners – we encourage them to get out with the customers and that's really where the relationships are built. And it does become very exciting. Every day they get into different customer's home and get involved with some of their home improvement projects.

Matt: Sure. You're completing that honey-do list and making at least one person in that house happy. Probably two.

Todd: Usually always two.

Matt: I'm sitting here thinking about it. I would be kinda happy too.

Todd: 70 percent of our customers are actually female. Essentially, almost the economic head of household is the female, really, making the purchasing decision maker on those kind of things. And when mama's happy, everybody's happy.

Matt: What's that local office look like from a people-phones-trucks... what's that local hub look like?

Todd: The way the franchisee sets it up is that they'll have an office manager, or a customer service representative depending on how large the business is. And in the first six months, you can start the business in your home and maybe have just a customer representative there with you. And you're going to add technicians one or two at a time. The nice thing is that we have a national van lease program. So every time your business expands on a customer-by-customer base, it's very easy to scale the business upward and add another van on the lease program and have that incremental profitability as you add those vans. So our average franchisee will have five to six vans over a period of time.

Matt: So what you just said there is very important. I'll want to stop and highlight that for our listeners. That is that it sounds like some of the clout from being within a larger organization such as yours, you can help them scale up with that leasing program? And bring those vans online as their business growth dictates they need them and not before.

Todd: That's exactly right. And that's important point. Because I came from being a restaurant franchisee where every time you had to expand, you basically were adding a new restaurant and you might have an extra couple hundred thousand dollars invested in a new site, you didn't know if it was going to go well. But when your business is performing on a day-to-day basis in the Mr. Handyman business, when you're performing and satisfying each of those customers, they tend to come back. And so you're advertising is continuing to build your customer base and you just add another van. So your business can essentially scale upward without any additional capitol.

Matt: Nice. Yeah I love the high leverage angels on things. And that's some of the things a good franchise organization like this can bring. I love aluminating that point. Because I know a lot of people will sit out there and think, "Which franchise? Which franchise?" And when you hear things like it can scale up at the pace that you need it to without a ton of money at risk, that's a winner. That's one you want to dig into a little bit more. Why don't we shift the conversation and tell me about some of your current franchisees and tell me what they look like. I've got this on my mind and maybe you can address it right here and that is do I have to be a Mr. Handyman literally to do this as a business?

Todd: And the answer is no. As a matter of fact, most of our franchisees are not handy or were not handy before they came into the business. We have franchisees from all different walks of life. We have one in the Chicago area who jokes about the fact that he owned a couple of jewelry stores and he had never opened a tool box in his life. We have a franchisee in the Greater New York area who is an executive that ran the server business in North America for IBM. And we have a retired Xerox in the Southeast who ran the world-wide technology for Xerox. Yet again, one of our franchisees of the year from a couple of years ago had a high school education, was a computer programmer for a company but just had the drive and energy to own his own business. And just took that drive and applied it to our system and he actually was one of the fastest franchises to reach a million dollars in sales and is extremely happy, said that's the best business decision of his life.

Matt: You are saying that you don't have to be, but I imagine that if you are technically adept than that's certainly not going to hurt you any.

Todd: Yeah it becomes a plus because we do encourage, in our system, getting out there with your technicians. They're the ones who are really trained in skills and we show you how to find them and how to seek them out and how to hire them. And we train you on all of that. And they really have the technical skill in the fields, and if you have an interest along those lines or if the last time you remodeled your house, you had a lot of fun or you enjoyed going into Home Depot and doing some improvements for yourself, then you're going to love this business. Because it really is a management of people business. It really is a little bit of sales and marketing and personal energy in terms of pouring yourself into it. And it's always nice to have a little bit of passion toward what you're doing.

Matt: Certainly. And what I like and what I'm hearing here is that this thing can scale up beyond using your own two hands. And that's always a very, very good key point to look at. Some things, even you go into a field like a dentist, but when his hands stop moving, he stops making money. What I'm hearing falls into the category that I would continue to keep digging into, and that means that you have a team and you're managing that team. You may be the team when you start, but you bring people online and you're managing the business aspect of it. And you can grow and scale, and that's the difference between being able to take days off in the future and not being able to take days off.

Todd: That's exactly right. One of the things that I think I can enjoy the most about our business is that it is a Monday to Friday 8-5, it's not like a retail establishment where you're stretched over all the hours. You're generally managing your technicians in the home. Each day you get them off in the morning. So it's busy and just as you said, you are a good part of the staff early on, but as your business matures, you do realize the dream of...I was just with one of our successful franchisees last week. And he was saying that one of the great joys for him is that he was able to take on the coaching of his son's basketball team. So he spent every afternoon and spent the time after school at 2:30 to be able to do that. And he said he never would have been able to at any other company. He's been able to fit that into his schedule. You're essentially in business for yourself but not by yourself. Because it's important to have our systems and training and software and our advertising programs and all those things that we bring to help you succeed.

Matt: Those are some good things to talk about as well. Why don't you keep going on that point, if you don't mind? About that system and how you support that franchise structure. You have some pretty strong people on your business support team and your organization and that has to inure to the benefit of your franchisees in terms of helping them do the things that are more profitable as opposed to being less profitable. And coaching them in business. Tell me about some of those systems and some people behind the scenes.

Todd: Sure. Well a lot of our people, many of them who are helping our franchisees, have owned their own business and have been franchisees themselves. So they've been there-done that. They know how important that bottom line is and how to help you get to a strong bottom

line. So that's kind of first and foremost. Then we also have some really superstars on our staff in terms of one of our marketing folks was a guy who was involved with the Wendy's "Where's the Beef" campaign and much of the growth of McDonald's over the years. So we have a lot of unique and real strong performers here at Service Brands corporately that because we own Molly Maid and 1-800 Dry Clean as well as Mr. Handyman brand, we're able to share some of those resources and have resources available to us that other companies might not have.

Matt: That's a good point. Having depths of team when somebody has a question out in the field is beyond valuable when you look at what is going to start out being a small business that you can potentially grow. And they face different issues at different times. To have a mature team standing behind them at their beck and call.

Todd: And likewise. As we continue to grow as a company, we're twice the size of our closest competitor nationally, and we're just embarking on accelerating the growth of our commercial business. So we've engaged some national consultants to build that. And we're going to be building a sales department in 2009 to bring in commercial sales for our franchisees all across the country. So we're getting to a level where we're able to put things in place and systems in place that a lot of other franchises could never even touch. We're going to be hitting sales that a local guy can't even access.

Matt: How about some of your software systems so things like that. Is there anything that would be unique that they wouldn't necessarily realize that you would provide?

Todd: Yeah the software that we provide is net-based so it's online and it does all of your management of the business and then exports all of those numbers into QuickBooks so you can account for your business. And it continues to track your business and provides us with the information that we turn around and benchmark to help you improve your business. So those are some things that we do as a company and as a franchisor to help you. But in addition, our software has actually been award-winning from Microsoft in terms of development. And so it's top-rated, state-of-the-art. So that helps you seamlessly run your business and be able to scale up and see where everybody is. We have linked into that a lot of GPS technology so you can keep your business efficient. So all of that comes as part of our system. We also have marketing this year. Because we have such a large database of customers, we actually geo-code those customers. Because it's a higher ticket item and we have the name and address of their home, we have considerable information of our customer base of exactly who our customer is. So we turn that data around and that's how we target our territories for the benefit of the franchisees and that's how we target our marketing. In addition to that, we're overlaying not only the target of the marketing, but we're now overlaying branding of our company with our new spokesperson, Richard Karn.

Matt: I wanted to ask you about that. That's gotta be fun.

Todd: Yeah. Richard Karn is the character who played Al Borland on the show "Home Improvement." The guy with the beard and the plaid shirts and he was Tim Allen's sidekick. It was basically a show within a show. "Tool Time" was the show inside "Home Improvement." He has brought a new face to the company, so it's been really great.

Matt: Yeah that sounds like a big plus. You're so far above being the local Chuck-in-a-truck. You're coming in to maybe that your homeowner is going to be responsible and catch bids from a couple of places, and your guy gets to lay down, show up in a good looking outfit with a good looking truck on time and collateral materials featuring a national television star. That's got to elevate his credibility on the dining room table there to the first position. I wouldn't think there's nothing out there that would even come close to that.

Todd: Yes. It does and we think that, clearly, we have done very well to date as we've grown very quickly. But in the next five years we believe we'll become a household name with that.

Matt: Let's talk about how you're looking to expand. What are you looking for in a new franchisee and where are you looking? I know you're doing some international stuff. We'll get to that. Our listeners are going to be well past the do-I-want-to-join-this-team because you've laid out some incredible benefits to this system. Now let's talk about what it is that you're looking for and how and who and where could they possibly become part of your team. How does that go down?

Todd: Well a similar related question is, "What's the secret to success of a Mr. Handyman franchisee?" And we can train them on the system, and they can have a wonderful targeted market area in their hometown that they know. And all of those things. All the stars can align and they can buy a Mr. Handyman franchise and step out to succeed. But how do you really climb the business and put it in the top 10 percent and really get there quickly? And often times, what I answer back is that you almost have to be willing to run for Mr. Handyman of your territory. What that means is a little bit like running a political campaign. If you're sick and tired of your career and you feel like you're dying on the vine – somebody's going to do it. Somebody's going to buy this territory and be that person. If you go out with that kind of sell-it attitude. What that means is you get your technicians excited; they're playing yard signs out just like a political campaign. When they do a yard job. They're putting door hangers on the ten homes around where you've done that job. You're sending the mailings out. And pretty soon, that word-of-mouth is getting around that you're creating that buzz. Those kind of franchisees that have that fire in the belly are the ones who zoom right to the top. That's what we're looking for in a franchisee. Those are the guys who do extremely well in our system.

Matt: That's a great human insight. You're currently expanding internationally.

Todd: Yep. We just master licensed a province in China and a company there that's a very successful construction and remodeling company took over that province and they're looking to develop the rest of China. We're about to launch in England and the UK. And so we're currently in the middle of that. And we have folks in this next week looking at Turkey of all places. A developing economy.

Matt: You've got opportunities for people to come into a market that may need a Mr. Handyman in the U.S. that might be somebody on this phone call that is listening and say, might be your neighborhood.

Todd: In the U.S. there are about 550 Mr. Handyman territories as we've identified them. We're just over 300 right now. So we have roughly a little over 200 territories left in the U.S. And when you purchase into a franchise in our system, you have exclusivity to that territory. So you sort of buy your little piece of the rock that are your homes for maintenance and repair and commercial opportunities and everything that we offer. And by looking at that offering circular, an investment in Mr. Handyman including working capital is listed roughly at \$120-130,000 for that exclusive territory. And you're really kind of off to the races.

Matt: They don't necessarily have to have all of that in cash.

Todd: No they do not. There's financing provided where we have a number of preferred lenders. A lot of folks use home equities, loans, 401k roll-over money. There's lots of different options.

Matt: I'll add to that that because this is a franchise there is such a thing called the prospectus. That is where because this is a top-tier business being grown as a franchise, there are rule and regs and steps to follow and one of the things that they would need to get their hands on is this prospectus. If people have listened to our show, they have heard that before, but I just wanted to reiterate that. One of the best ways to do that is by showing up to one of your discovery days. Would it?

Todd: Yeah. The way our process works is if you register online at Mr. Handyman.com, then one of our franchise development managers will work with you and one of the first steps is getting that franchise disclosure document. That really gives you all of the information on our franchise. Then they'll take you through a process. Then you come to discovery day. So actually by the time you come to discovery day, you've talked to a number of franchisees in our system. You've been on a president's conference call where you can ask any questions you might have. We have a process that educates you completely on what getting into Mr. Handyman is. And I appreciate the fact that you bring up the fact that it needs to be done by disclosure.

Matt: Absolutely, and franchising being the success that it is, it's got rules and regs and it is structured. It's a very, very organized environment. That's one of the things that attracts me to it. I like that fact. It's the way to go. You're really structured and rightly so in helping an individual get the best out of what he has to offer with the system in place. So we're really talking about developing the entrepreneur. Some will come in my experience with strengths in one area and not in another and a system such as yours – you're going to identify where that individual needs help and focus and adapt to that help.

Todd: Exactly.

Matt: This has been a great, great interview. Thank you for taking the time, Todd. Is there anything else I've left out?

Todd: No. I don't think so. Matt I sure appreciate your time. If you're listening to this, I would encourage you to contact us. We just have a lot of fun folks. We have a lot of fun. One of the things that I look forward to most is the regional meetings that we have and the franchise conventions that we have in cities all over the country. We know how to work hard and how to

play hard at the same time. You always have the benefit of people around you in our system. It's hard to describe the fun you're having every day running your own business. But it's also hard to describe the lifetime relationships and the comradery that you have with other franchisees in the system. My best advice would be if your current situation is putting your feet to sleep, jump into something and give us a call.

Matt: That sounds great. What's the best way to get a hold of you or your team to carry on a conversation? Obviously people will need to discuss where opportunities are near them.

Todd: The best way is to contact the web site directly at www.mrhandyman.com. We also have 877-mrhandyman. Then we can put you in touch with a franchise development manager to help you assess your situation and walk you through the process.

Matt: Thank you everybody for listening to our interview with Mr. Todd Recknagel, president of the Mr. Handyman franchise organization. And we'll see you on the next call.