

Private-equity firm buys Wetzel's Pretzels

CenterOak Partners takes majority stake from Levine Leichtman Capital Partners

Lisa Jennings

Sep 2, 2016



The Wetzel's Pretzels snack chain has been acquired by Dallas-based private-equity firm CenterOak Partners, the company told NRN on Friday.

In a deal that closed Thursday, previous owners Levine Leichtman Capital Partners exited after

holding a majority stake for nine years.

Bill Phelps, Wetzel's co-founder and CEO, said Levine Leichtman received a return of seven times their investment.

"It's a win-win for everybody," said Phelps, noting that some early angel investors saw an 11-times return. "We hope this next group will see the same kind of return."

Details of the investment were not disclosed, but Phelps described CenterOak's majority stake as "a very large equity investment." Phelps said he will remain CEO and the largest individual investor, and there will be no changes to management.

"That's one of the things we liked about CenterOak," he said. "There will be no changes at all. We're very excited about having them as partners. They like the team and they like the results."

In the past, CenterOak has been an investor of the casual-dining chain Cheddar's, but Wetzel's appears to be the only restaurant chain currently in the group's portfolio, based on its website.

The move comes as the 310-unit pretzel chain is enjoying a strong year, with same-store sales up 6.5 percent year-to-date, said Phelps.

Pasadena, Calif.-based Wetzel's is projecting systemwide sales of \$165 million for fiscal 2016. The chain was also named a [Next 20 brand](#) in the annual Nation's Restaurant News Top 200 census, with domestic systemwide sales up 12 percent in fiscal 2015, with increases in both unit count and estimated sales per unit.

Phelps credits the chain's menu innovation, with a shift toward more snackable pretzel bites in addition to whole pretzels, for boosting sales.

"That's where guests are going," he said. "Instead of buying a \$3 pretzel, they're buying more \$4 to \$5 pretzel bites. The snacking trends in America are incredible and people are buying more snacks per day."

The almost-all-franchised chain opened flagship locations this year in Minnesota's Mall of America and Manhattan's Fulton Center. The traditionally mall-based snack concept this year has also been moving into more non-mall locations, like Walmart Supercenters, transportation centers and street locations.

Phelps said average unit volumes are in the \$580,000 range and franchisee profitability has improved in recent years.

About 25 percent of Wetzel's locations are kiosk, some of which with baking capability. The chain has also moved the pretzel making process front-and-center in some stores, showing off the theater of working with dough and spotlighting the fresh-baked product, said Phelps. "It's a visual display, and it's all about the fresh."

Wetzel's Pretzels was founded in 1994 by Phelps with co-founder Rick Wetzel.

Wetzel remains an investor but now focuses his day-to-day energies on the Pasadena-based Blaze Pizza, another growing chain, in which Phelps is also an investor.