

Jersey Mike's Subs: Where Should the Next Growth Wave Go?

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The assignment

You are part of a hypothetical strategy team asked to recommend how Jersey Mike's should sequence growth over the next three to five years. Should it put most development effort into U.S. penetration, build international markets in stages, or set market-readiness gates that determine where capacity goes next? Recommend a sequence, explain the trade-offs, and identify what evidence would change your view.

This is a classroom decision exercise, not a reconstruction of a company meeting or board proposal. The alternatives below are analytical choices for discussion. Use only information public by the cutoff.

A growth system at an inflection point

Jersey Mike's built a national sandwich chain around franchised restaurants. At fiscal year-end 2025, it reported 3,256 restaurants; by 29 March 2026, the reported count was 3,300.

Approximately 99% of restaurants were franchised. The company described its presence as spanning the United States and Canada. [1, pp. 1, 7, 10-11, 121]

The chain was still growing, but the pace and composition of growth deserved scrutiny. Net store growth was 8.5% in FY2025. Same-store sales growth was 8.4% in 2023, 2.0% in 2024 and 3.2% in 2025. The company noted that 2023 included inflation-related pricing. These measures describe different things: net store growth includes openings and closures, while same-store sales covers qualifying traditional stores that had been open at least 425 days. [1, p. iv and p. 121]

Management had set a long-run ambition of roughly 8-10% annual net store growth. It also described a development pause in 2024, directed by the founder, followed by a more systematic planning framework. The prospectus did not provide store-level market data that would establish whether specific U.S. markets were saturated or whether nearby openings cannibalized existing restaurants. [1, p. 98]

Two maps of opportunity

The company estimated potential for approximately 7,500 U.S. stores, using the density of its most penetrated U.S. market as a benchmark. It estimated a global opportunity of approximately 15,000 stores by comparing Jersey Mike's with other restaurant brands. These are management estimates, not independently validated market-size studies. The filing did not disclose a market-by-market demand model or a quantified cannibalization analysis. [1, pp. 10-11]

International development had moved beyond an abstract ambition. Jersey Mike's had a Canadian development agreement covering about 300 stores. The prospectus said early Canadian locations had annualized average weekly sales of approximately \$1.6 million in FY2025; it did not provide a mature cohort, store count, or distribution around that figure. A 31 December 2025 Master Franchise and Operation Agreement granted JM Submarines UK LTD, an entity controlled by founder and board member Peter Cancro, development and operating rights for a minimum of 300 stores in the United Kingdom and Ireland over a ten-year development term. The prospectus identifies the arrangement as a related-party transaction. The agreement defines a development opportunity, not an opening forecast or proof that the stores will open or earn attractive returns. [1, pp. 11, 59, 98]

The filing described the company as continuing to build infrastructure for international growth. Expansion across borders could require added capabilities in sourcing, training, legal compliance, technology and field support. The case evidence does not quantify the cost or capacity of those capabilities. The same evidence also does not establish that U.S. expansion is near its limit.

The economics-and what they cannot tell you

Jersey Mike's reported FY2025 systemwide sales of \$4.217 billion and average unit volume (AUV) of \$1.364 million. Systemwide sales are sales at franchised and company-owned restaurants, not revenue recognized by the franchisor. AUV is based on comparable restaurants meeting the filing's operating-day criteria; it is not the average of every unit in the system. [1, pp. 2, iv, 121]

The prospectus presented a 16% store-level margin after royalties and advertising fees, approximately \$515,000 average build cost, 2.6x sales-to-investment and approximately 42% cash-on-cash return. The company said store-level EBITDA and related franchisee measures relied on owner self-reports and were not independently verified. These averages do not show the spread of outcomes across markets, restaurant age or operators. [1, p. 8 and p. iv]

The IPO was not a dedicated international-growth fund. The prospectus estimated about \$301 million in primary proceeds after underwriting discounts and commissions but before approximately \$23 million in offering expenses. At the cutoff, the prospectus plan was to use approximately \$295 million to repay securitization debt and the remainder for general corporate purposes. [1, p. 79]

Exhibit 1. Selected system indicators

Measure	Reported result	What to keep in mind
Restaurants, FY2025 year-end	3,256	Fiscal year ended 28 December 2025
Restaurants, 29 March 2026	3,300	Latest count available by the case cutoff
Net store growth, FY2025	8.5%	Net measure; not gross openings
Same-store sales growth	2023: 8.4%; 2024: 2.0%; 2025: 3.2%	Qualifying traditional stores only; 2023 included inflation-related pricing
Systemwide sales, FY2025	\$4.217 billion	Not franchisor revenue
AUV, FY2025	\$1.364 million	Comparable-store measure, not every restaurant
Digital mix, FY2025	42%	Company-reported KPI
Long-run net store-growth ambition	Approximately 8-10% annually	Management target, not a forecast

Source: final IPO prospectus, KPI table and definitions. [1, pp. iv, 121; growth target p. 98]

Exhibit 2. Development footprint and disclosed opportunities

Geography	Publicly disclosed position by 31 July 2026	Evidence limit
United States	Management estimated approximately 7,500 potential stores	Based on the density of the most penetrated U.S. market; no local demand or cannibalization model disclosed
Canada	Development agreement for about 300 stores; early locations reported at approximately \$1.6 million annualized average weekly sales in FY2025	Early locations; no mature cohort, count or variance disclosed
United Kingdom and Ireland	Ten-year Master Franchise and Operation Agreement dated 31 December 2025 with JM Submarines UK LTD, controlled by founder and board member Peter Cancro; minimum 300 stores	Related-party arrangement; agreement is not an opening forecast or proof of unit profitability
Global	Management estimated approximately 15,000 potential stores	Benchmark against other restaurant brands; not independently validated

Source: final IPO prospectus. [1, pp. 11, 59, 98]

Exhibit 3. Franchisee investment measures presented in the prospectus

Measure	FY2025 figure	Definition and caveat
Store-level margin after royalties and advertising fees	16%	Based on franchisee-reported store-level EBITDA; not independently verified
Average build cost	Approximately \$515,000	Prospectus measure; actual investment can vary
Sales-to-investment	2.6x	Systemwide AUV divided by average system build costs; revenue-to-build-cost ratio, not ROI
Cash-on-cash return	Approximately 42%	Company-presented estimate; not an audited return or distribution across franchisees

Source: final IPO prospectus. [1, p. 8 and p. iv]

Competition and organizational learning

Firehouse Subs, another sandwich-focused franchised brand, reported 1,496 restaurants at 2025 year-end: 1,449 in the United States and Canada and 47 internationally, across nine countries or territories. Its systemwide sales were \$1.357 billion. The figures provide scale context only; they do not establish comparable demand, unit economics or market share. [2, p. 4; definition p. 3]

Research on franchised restaurant chains raises a useful but unresolved operating question: local operator experience and company-run locations may support learning and quality control, while franchisees bring local knowledge and operating incentives. One study of Texas pizza restaurants in the 1990s found an association between local owner experience and lower restaurant-closure hazard. It is observational evidence from a different food category, place and period; it does not estimate Jersey Mike's performance or the return to international expansion. [3, pp. 1722-24, 1727]

Jersey Mike's highly franchised system makes partner selection, training, monitoring and support consequential. Yet the public materials do not provide verified market-level franchisee returns, cohort survival, country-specific support costs, or a direct comparison of domestic and international unit economics.

Choices for the strategy team

1. **U.S.-weighted expansion.** Use the stated domestic opportunity and existing operating base to keep most development and support capacity in the United States. Let international agreements progress more gradually while the company strengthens its domestic market and site-level evidence.
2. **Staged international build.** Continue U.S. growth while prioritizing the Canadian and UK/Ireland development platforms, building local operating infrastructure and learning across distinct markets. Accept that early investment and outcomes may be less certain.

3. **Market-readiness gates.** Allocate development and support in stages. Define evidence that each market or cohort must show-such as operator readiness, opening execution, sales performance and operating-standard results-before accelerating. This can preserve flexibility but may slow openings or miss attractive sites.

These are teaching alternatives, not reported company proposals. Your recommendation should state what gets priority, what must be true before expansion accelerates, and how management should respond if early evidence is mixed.

Discussion questions

1. Which evidence supports U.S. penetration, international growth, or a staged portfolio? Which evidence is weakest?
2. How much weight should management place on the 7,500-store U.S. estimate, the 15,000-store global estimate and the Canadian early-sales figure?
3. What operating capabilities should be in place before an international market adds locations quickly? How might those needs compete with support for U.S. franchisees?
4. What market- or cohort-level indicators would you use to set a readiness gate? Who should verify the data?
5. How would your recommendation preserve the 8-10% long-run net-growth ambition while accounting for uncertainty in openings, closures and franchisee economics?

Sources

[1] Jersey Mike's Subs Inc., final Form 424B4 IPO prospectus, filed 31 July 2026, prospectus dated 29 July 2026. [SEC filing](#). Printed page locators appear in the case.

[2] Restaurant Brands International Inc., 2025 Form 10-K, filed 20 February 2026. [SEC filing](#).

[3] Arturs Kalnins and Kyle J. Mayer, "Franchising, Ownership, and Experience: A Study of Pizza Restaurant Survival," *Management Science* 50(12), 1716-1728 (2004). [Author-version PDF](#).