About Customizable Worksheet

As noted earlier, the FranCompare™ Franchise Recognition Program was set up as a methodology by which a prospective franchisee (or lender) could analyze and compare different franchise systems using a common Franchise Matrix™ system. All of the data used in our analysis (and displayed on www.FranCompare.com) was extracted from each company's 2017 FDD. Clearly there are a myriad of other variables not included in an FDD that are critical in making an investment decision (management skill, franchisee satisfaction, franchisor support, industry selected, competition, general economy, etc.). The "winner", in our sole opinion, is just one element in the longer-term analysis required to determine which franchise system is best for you.

You may determine that other factors not currently used in the Franchise Matrix™ system should be considered and that the weights that we have allocated to each variable should be modified. Accordingly, we have provided a blank individual Company Worksheet and a blank consolidated Franchise Matrix™ that you can use to perform your own analysis. Your ability to modify the Worksheets will be a function of your familiarity with Excel (or similar spreadsheets).

The Methodology section at the bottom of the website goes into great detail about the various components used in the FranCompare™ analysis. Noted below is a summary of major items considered.

Please note that the blank Company Worksheet lists the Item within the FDD where the information can be found. For those items that say Worksheet, you will have to add Item 20 data to the bottom of the Worksheet. Most calculations are made automatically.

Once you have completed a single Company Worksheet, it should be copied and pasted into the blank consolidated Franchise Matrix™. Once you have completed 2 to 4 individual Company Worksheets, you are now ready to compare competing systems against one another. The Franchise Matrix™ includes weights in the far-right column that, in our opinion, highlight the most important variables to consider before investing in a particular franchise system. To the extent that you want to allocate different weights, feel free to modify them. We have used a maximum score of 1,000, but you can come up with any scoring system of your choice.

Most of the variables used are simple extractions from each company's FDD. In a few cases, however, we have modified values so that they are directly comparable with the other franchises being considered. The most important of these is the Average Gross Revenue. Whereas one company might include all units that have been in business for over 1 year, another might include only units that have been in business for over 5 years. To better balance out any such inequities, we have chosen a 2-year time

period as a standard. The worksheet notes the multiplier we have used to estimate what a 2-year time period might look like. The following multipliers were used throughout. Over 1 Year = 115%; Over 2 Years = 100%; Over 3 Years = 95%; Over 4 Years = 90%; Over 5 Years = 85%. Again, feel free to modify this multiplier as you see fit.

Our weighting system relies heavily on the availability of an Item 19 (Financial Performance Representations). Unfortunately, roughly 40% of companies do not provide an Item 19 in their FDD. Our analysis focused primarily on companies that did in fact provide an Item 19. If there were 4 companies in a particular Secondary Category that provided an Item 19, we generally excluded potentially larger companies that did not provide an Item 19. You may prefer to take this variable out of the equation altogether and rely instead on the other factors considered.

Far too few franchisors provide a meaningful income statement (preferably one that includes an EBITDA (Earnings Before Interest, Taxes, Depreciation and Amortization)) that gives the prospective franchisee a better sense of how he or she might do financially as a franchisee. Depending upon the strength and detail of the income statement provided, a percentage score was given. An income statement with 15-line items might score a 100%, whereas a company that only provides 2-line items in arriving at Net Income might receive a 15% score. Again, use your own discretion in weighing this important variable.

Another factor that we weigh heavily is the number of individual franchises that stay in business after the 3-year time frame used in the analysis. We have combined Total Closures and Total Transfers (as noted in Item 20) and come up with Total Turnovers. In far too many cases, each of these 3 variables has a score of over 100%. This means that more franchises have failed or otherwise left the system than have joined the system. Such trends cannot last long. The analysis does not take into account the nature of any Transfers, which may have simply been a transfer between family members. Again, you should look into the nature of the Closures and Transfers and modify accordingly.

We fully recognize that the variables and corresponding weights used in the Franchise Matrix™ may not be applicable to your needs. Nor is there anything magic about the specific methodology we have selected. Please feel free to use our Franchise Matrix™ as a starting point and modify as you see fit.

Remember that our analysis is simply a starting point in what we hope will be an extremely rigorous analysis of widely differing brands that are competing for your investment. Leave no stone unturned and make sure that the franchisor has answered all of our questions and concerns to your complete satisfaction. Our strong recommendation is that you employ an experienced financial advisor and/or attorney as part of your advisory group. The downside of making the wrong or hasty decision could be catastrophic. Good luck and Godspeed.