

# FranCompare<sup>TM</sup>

## FRANCHISORS - 2019 FDD SURVEY & IN-DEPTH ANALYSIS

### SONIC DRIVE-IN (TRADITIONAL)

**Legal Name: Sonic Franchising, LLC**

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Summary	
Franchised Units	3,424
Company-Owned Units	<u>176</u>
Total Operatng Units	3,600
Average Total Investment Per Unit	\$2,374,050
Average Franchise Fee	\$45,000
Royalty	5.0%
Term of Initial Contract (Years)	20
In Business Since	1953
IFA Member	

Weighting for Primary FDD Variables (300 Points)	Item #	Actual FDD Data	FC Score	Your Score	Max. Score
<b>Key Unit Investment Variables</b>					
Year-End Total Franchised Units	20	3,424			
Year-End Total Company-Owned Units	20	176			
<b>Year-End Total Operating Units</b>	<b>Calculated</b>	<b>3,600</b>	<b>50</b>		<b>50</b>
% of Franchised Units	Calculated	95.1%			
<b>% of Company-Owned Units</b>	<b>Calculated</b>	<b>4.9%</b>	<b>7</b>		<b>10</b>
<b>U.S. Footprint (# of U.S. States)</b>	<b>20</b>	<b>45</b>	<b>35</b>		<b>35</b>
Total Low Investment	Page 1	\$1,221,800			
Total High Investment	Page 1	\$3,526,300			
<b>Average Total Investment Per Unit</b>	<b>Calculated</b>	<b>\$2,374,050</b>			
Low Unit Size Estimate (Square Feet)	7	1,150			
High Unit Size Estimate (Square Feet)	7	1,500			
Average Unit Size (Square Feet)	Calculated	1,325			
Average Total Investment Per Square Feet	Calculated	\$1,792			
<b>Average Franchise Fee (Single Unit)</b>	<b>5</b>	<b>\$45,000</b>	<b>15</b>		<b>40</b>
<b>Average Annual Royalty Fee (On-Going After Trial Period)</b>	<b>6</b>	<b>5.0%</b>	<b>85</b>		<b>90</b>
<b>Term of Initial Contract (Years)</b>	<b>17</b>	<b>20</b>	<b>35</b>		<b>35</b>
<b>Term of First Contract Renewal (Years)</b>	<b>17</b>	<b>10</b>	<b>11</b>		<b>20</b>
<b>Average Transfer Fee (Single Unit)</b>	<b>6</b>	<b>\$3,000</b>	<b>10</b>		<b>10</b>
<b>Year Incorporated</b>	<b>1</b>	<b>1953</b>	<b>10</b>		<b>10</b>
Franchising Since	1	1974			
Issuance Date of FDD (Issue Date)	Page 1	4/22/2019			

Weighting for Primary FDD Variables (250 Points)	Item #	Actual FDD Data	FC Score	Your Score	Max. Score
<b>Real Unit Growth - Item 20 Performance Analytics</b>					
Base-Year Beginning Franchised Units	20	3,149			
New Franchised Units Over Following 3 Years	Calculated	352			
Total Franchised Units at the End of Year 3	20	3,424			
<b>% of New Units Over Base Year Units</b>	<b>Calculated</b>	<b>11.2%</b>	<b>6</b>		<b>40</b>
<b>3-Year Compound Annual Unit Growth</b>	<b>Calculated</b>	<b>2.8%</b>	<b>10</b>		<b>70</b>
<b>3-Year Average Continuity Rate</b>	<b>Calculated</b>	<b>102.8%</b>	<b>110</b>		<b>140</b>

Weighting for Primary FDD Variables (350 Points)	Item #	Actual FDD Data	FC Score	Your Score	Max. Score
<b>Real Unit Performance - Item 19 Unit Financial Analytics</b>					
Company-Wide Average Gross Sales or Revenue	19	\$1,270,000			
Period Operated	19	12 Months			
Calculation Based on # of Units Evaluated	19	3,303 of 3,424			
Calculation Based on Franchised Units or Company-Owned Units	19	Franchised			
% Adjustment *	19 (See Footnote 1)	100%			
Adjusted Average Gross Sales or Revenue	Calculated	\$1,270,000			
Adjusted Unit Gross Sales Return / Average Total Investment	Calculated	53.5%	50		175
Cumulative 10-Year Gross Sales (Compound at 5% Growth Per Year)	Calculated	\$16,772,620			
10-Year Sales / Average Total Investment	Calculated	7.1	15		75
10-Year Total Royalty Payments	Calculated	\$838,631			
10-Year Royalties / Average Total Investment	Calculated	35.3%	50		50
Detailed Income Statement (EBITDA Is Optimal)		70.0%	35		50

Weighting for Primary FDD Variables (100 Points)	Item #	Actual FDD Data	FC Score	Your Score	Max. Score
<b>Real Financial Strength - Key Balance Sheet Ratios (\$000)</b>					
Ending Date for Financials (Closing Date on Balance Sheet)	Balance Sheet	12/31/2018			
Current Assets	Balance Sheet	\$4,113			
Intangibles & Goodwill *	Balance Sheet (See Footnote 2)	\$47,934			
Other Assets	Balance Sheet	\$14,954			
Total Assets	Balance Sheet	\$67,001			
Current Liabilities	Balance Sheet	\$851			
Long-Term Liabilities	Balance Sheet	\$18,472			
Total Liabilities	Balance Sheet	\$19,323			
Total Shareholders' Equity	Balance Sheet	\$47,678			
Total Liabilities & Shareholders' Equity	Balance Sheet	\$67,001			
Current Ratio (or Working Capital Ratio)	Calculated	483.3%	25		25
Intangibles & Goodwill As % of Total Assets	Calculated	71.5%	0		20
Total Liabilities as % of Total Assets Ratio	Calculated	28.8%	35		35
Long-Term Liabilities as % of Shareholders' Equity Ratio	Calculated	38.7%	15		20

Weighting for Primary FDD Variables (200 Points)	Item #	Actual FDD Data	FC Score	Your Score	Max. Score
<b>Additional Analysis on Real Unit Growth - Item 20 Performance Analytics</b>					
3-Year Total Closures		77			
Cumulative Closures as % of Start of the Year Units	Calculated	2.4%	45		45
Cumulative Closures As % of Total New Units Over 3 Years	Calculated	21.9%	20		45
3-Year Total Transfers		289			
Cumulative Transfers As % of Start of the Year Units	Calculated	9.2%	18		25
Cumulative Transfers As % of Total New Units Over 3 Years	Calculated	82.1%	0		25
3-Year Total Turnovers		366			
Cumulative Turnovers As % of Start of the Year Units	Calculated	11.6%	19		30
Cumulative Turnovers As % of Total New Units Over 3 Years	Calculated	104.0%	0		30

<b>Total Score (With Item 19)</b>	<b>711</b>		<b>1,200</b>
<b>Total Score (Without Item 19)</b>	<b>561</b>		<b>850</b>

**Footnotes:**

- Please refer to the [General Footnotes](#) with regard to Determining Adjusted Average Gross Sales or Revenue. To compensate for the widely differing periods considered in presenting Average Unit Gross Sales, we have assumed that revenues for companies in business for 12 Months are the standard. Depending upon the **Period Operated** noted above, the following multipliers were applied against the Company-Wide Average Gross Sales or Revenue published by the franchisor in Item 19.

Period of Operating Experience	Multiplier Used
12 Months of Operating Experience	100%
24 Months of Operating Experience	95%
36 Months of Operating Experience	90%
48 Months of Operating Experience	85%
60 Months of Operating Experience	80%

- Goodwill & Intangibles include Trademarks.