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MESSAGE STUDIO INDUSTRY 2019 FDD SURVEY & IN-DEPTH ANALYSIS

Massage Envy

Legal Name: Massage Envy Franchising, LLC

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Summary

Franchised Units	1,165
Company-Owned Units	<u>0</u>
Total Operatng Units	1,165
Average Total Investment Per Unit (\$000)	\$690,050
Average Franchise Fee	\$45,000
Royalty	6.0%
Term of Initial Contract (Years)	10
In Business Since	2002
IFA Member	Yes

Weighting for Primary FDD Variables (300 Points)	Item #	Actual FDD Data	FC Score	Your Score	Max. Score
Key Unit Investment Variables					
Year-End Total Franchised Units	20	1,165			
Year-End Total Company-Owned Units	20	0			
Year-End Total Operating Units	Calculated	1,165	50		50
% of Franchised Units	Calculated	100%			
% of Company-Owned Units	Calculated	0%	0		10
U.S. Footprint (# of U.S. States)	20	49	35		35
Total Low Investment	Page 1	\$481,400			
Total High Investment	Page 1	\$898,700			
Average Total Investment Per Unit	Calculated	\$690,050			
Low Unit Size Estimate (Square Feet)	7	2,500			
High Unit Size Estimate (Square Feet)	7	5,000			
Average Unit Size (Square Feet)	Calculated	3,750			
Average Total Investment Per Square Feet	Calculated	\$184			
Average Franchise Fee (Single Unit)	5	\$45,000	15		40
Average Annual Royalty Fee (On-Going After Trial Period)	6	6.0%	80		90
Term of Initial Contract (Years)	17	10	20		35
Term of First Contract Renewal (Years)	17	TBD	10		20
Average Transfer Fee (Single Unit)	6	\$30,000	1		10
Year Incorporated	1	2002	9		10
Franchising Since	1	2003			
Issuance Date of FDD (Issue Date)	Page 1	4/30/2019			

Weighting for Primary FDD Variables (250 Points)	Item #	Actual FDD Data	FC Score	Your Score	Max. Score
Real Unit Growth - Item 20 Performance Analytics					
Base-Year Beginning Franchised Units	20	1,127			
New Franchised Units Over Following 3 Years	Calculated	95			
Total Franchised Units at the End of Year 3	20	1,165			
% of New Units Over Base Year Units	Calculated	8.4%	4		40
3-Year Compound Annual Unit Growth	Calculated	1.1%	10		70
3-Year Average Continuity Rate	Calculated	101.1%	105		140

Weighting for Primary FDD Variables (350 Points)	Item #	Actual FDD Data	FC Score	Your Score	Max. Score
Real Unit Performance - Item 19 Unit Financial Analytics					
Company-Wide Average Gross Sales or Revenue *	19 (See Footnote 3)	\$1,166,980			
Period Operated	19	At Least 2 Years			
Calculation Based on # of Units Evaluated	19	1,108 of 1,165			
Calculation Based on Franchised Units or Company-Owned Units	19	Franchised			
% Adjustment *	19 (See Footnote 1)	100%			
Adjusted Average Gross Sales or Revenue	Calculated	\$1,166,980			
Adjusted Unit Gross Sales Return / Average Total Investment	Calculated	169.1%	140		175
Cumulative 10-Year Gross Sales (Compound at 5% Growth Per Year)	Calculated	\$15,412,057			
10-Year Sales / Average Total Investment	Calculated	22.3	60		75
10-Year Total Royalty Payments	Calculated	\$924,723			
10-Year Royalties / Average Total Investment	Calculated	134.0%	30		50
Detailed Income Statement (EBITDA Is Optimal)		0%	0		50

Weighting for Primary FDD Variables (100 Points)	Item #	Actual FDD Data	FC Score	Your Score	Max. Score
Real Financial Strength - Key Balance Sheet Ratios (\$000)					
Ending Date for Financials (Closing Date on Balance Sheet)	Balance Sheet	12/31/2018			
Current Assets	Balance Sheet	\$27,847			
Intangibles & Goodwill *	Balance Sheet (See Footnote 2)	\$302,584			
Other Assets	Balance Sheet	\$22,048			
Total Assets	Balance Sheet	\$352,479			
Current Liabilities	Balance Sheet	\$44,135			
Long-Term Liabilities	Balance Sheet	\$1,028			
Total Liabilities	Balance Sheet	\$45,163			
Total Shareholders' Equity	Balance Sheet	\$307,316			
Total Liabilities & Shareholders' Equity	Balance Sheet	\$352,479			
Current Ratio (or Working Capital Ratio)	Calculated	63.1%	3		25
Intangibles & Goodwill As % of Total Assets	Calculated	85.8%	0		20
Total Liabilities as % of Total Assets Ratio	Calculated	12.8%	35		35
Long-Term Liabilities as % of Shareholders' Equity Ratio	Calculated	0.3%	20		20

Weighting for Primary FDD Variables (200 Points)	Item #	Actual FDD Data	FC Score	Your Score	Max. Score
Additional Analysis on Real Unit Growth - Item 20 Performance Analytics					
3-Year Total Closures		57			
Cumulative Closures as % of Start of the Year Units	Calculated	5.1%	38		45
Cumulative Closures As % of Total New Units Over 3 Years	Calculated	60.0%	0		45
3-Year Total Transfers		275			
Cumulative Transfers As % of Start of the Year Units	Calculated	24.4%	11		25
Cumulative Transfers As % of Total New Units Over 3 Years	Calculated	289.5%	0		25
3-Year Total Turnovers		332			
Cumulative Turnovers As % of Start of the Year Units	Calculated	29.5%	11		30
Cumulative Turnovers As % of Total New Units Over 3 Years	Calculated	349.5%	0		30
Total Score (Including Item 19 Data)			687		1,200
Total Score (Excluding Item 19 Data)			457		850

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.

3. The Average Gross Sales was calculated as follows:

	Avg. Net Sales	# Units	
2-5 Years	\$828,648	207	\$171,530,136
5-10 Years	\$1,105,675	394	\$435,635,950
>= 10 Years	\$1,352,757	507	\$685,847,799
		1,108	\$1,293,013,885
			\$1,166,980