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SMOOTHIES & JUICE BARS INDUSTRY 2019 FDD SURVEY & IN-DEPTH ANALYSIS

TROPICAL SMOOTHIE CAFÉ

Legal Name: Tropical Smoothie Café, LLC

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Atlanta, GA 30338

Mr. Charles Watson, Chief Executive Officer

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Summary

Franchised Units	718
Company-Owned Units	<u>1</u>
Total Operatng Units	719
Average Total Investment Per Unit (\$000)	\$413,500
Average Franchise Fee	\$30,000
Royalty	6.0%
Term of Initial Contract (Years)	15
In Business Since	1997
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	718			
Year-End Total Company-Owned Units	20	1			
Year-End Total Operating Units	Calculated	719	50		50
% of Franchised Units	Calculated	99.9%			
% of Company-Owned Units	Calculated	0.1%	2		10
U.S. Footprint (# of U.S. States)	20	45	35		35
Total Low Investment	Page 1	\$246,500			
Total High Investment	Page 1	\$580,500			
Average Total Investment Per Unit	Calculated	\$413,500			
Low Unit Size Estimate (Square Feet)	7	1,300			
High Unit Size Estimate (Square Feet)	7	2,000			
Average Unit Size (Square Feet)	Calculated	1,650			
Average Total Investment Per Square Feet	Calculated	\$251			
Average Franchise Fee (Single Unit)	5	\$30,000	30		40
Average Annual Royalty Fee (On-Going After Trial Period)	6	6.0%	80		90
Term of Initial Contract (Years)	17	15	30		35
Term of First Contract Renewal (Years)	17	10	11		20
Average Transfer Fee (Single Unit)	6	5% of Total Sales Price or \$10,000	8		10
Year Incorporated	1	1997	10		10
Franchising Since	1	1997			
Issuance Date of FDD (Issue Date)	Page 1	4/17/2019			

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	464			
New Franchised Units Over Following 3 Years	Calculated	304			
Total Franchised Units at the End of Year 3	20	718			
% of New Units Over Base Year Units	Calculated	65.5%	32		40
3-Year Compound Annual Unit Growth	Calculated	15.7%	35		70
3-Year Average Continuity Rate	Calculated	115.7%	135		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	\$730,354			
Period Operated	19	At Least 12 Months			
Calculation Based on # of Units Evaluated	19	569 of 718			
Calculation Based on Franchised Units or Company-Owned Units	19	Franchised			
% Adjustment *	19 (See Footnote 1)	100%			
Adjusted Average Gross Sales or Revenue	Calculated	\$730,354			
Adjusted Unit Gross Sales Return / Average Total Investment	Calculated	176.6%	145		175
Cumulative 10-Year Gross Sales (Compound at 5% Growth Per Year)	Calculated	\$9,645,630			
10-Year Sales / Average Total Investment	Calculated	23.3	60		75
10-Year Total Royalty Payments	Calculated	\$578,738			
10-Year Royalties / Average Total Investment	Calculated	140.0%	30		50
Detailed Income Statement (EBITDA Is Optimal)		0.0%	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	12/30/2018			
Current Assets	Balance Sheet	\$15,003			
Intangibles & Goodwill *	Balance Sheet (See Footnote 2)	\$8,990			
Other Assets	Balance Sheet	\$6,418			
Total Assets	Balance Sheet	\$30,411			
Current Liabilities	Balance Sheet	\$11,662			
Long-Term Liabilities	Balance Sheet	\$53,458			
Total Liabilities	Balance Sheet	\$65,120			
Total Shareholders' Equity	Balance Sheet	-\$34,709			
Total Liabilities & Shareholders' Equity	Balance Sheet	\$30,411			
Current Ratio (or Working Capital Ratio)	Calculated	128.6%	22		25
Intangibles & Goodwill As % of Total Assets	Calculated	29.6%	10		20
Total Liabilities as % of Total Assets Ratio	Calculated	214.1%	0		35
Long-Term Liabilities as % of Shareholders' Equity Ratio	Calculated	-154.0%	0		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		50			
Cumulative Closures as % of Start of the Year Units	Calculated	10.8%	28		45
Cumulative Closures As % of Total New Units Over 3 Years	Calculated	16.4%	24		45
3-Year Total Transfers		92			
Cumulative Transfers As % of Start of the Year Units	Calculated	19.8%	13		25
Cumulative Transfers As % of Total New Units Over 3 Years	Calculated	30.3%	7		25
3-Year Total Turnovers		142			
Cumulative Turnovers As % of Start of the Year Units	Calculated	30.6%	8		30
Cumulative Turnovers As % of Total New Units Over 3 Years	Calculated	46.7%	1		30

Total Score (With Item 19)	806		1200
Total Score (Without Item 19)	571		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.