

# FranCompare<sup>TM</sup>

## SUSHI BAR INDUSTRY 2019 FDD SURVEY & IN-DEPTH ANALYSIS

### ACE SUSHI

**Legal Name: Ace Sushi Franchise Corporation**

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Mr. Gary Chin, Chief Financial Officer and Chief Franchise Compliance Officer

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#### Summary

Franchised Units	377
Company-Owned Units	<u>12</u>
Total Operatng Units	389
Average Total Investment Per Unit (\$000)	\$45,704
Average Franchise Fee	\$13,000
Royalty	11.5%
Term of Initial Contract (Years)	2 (Min.) & 5 (Max.)
In Business Since	2002
IFA Member	Yes

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	377			
Year-End Total Company-Owned Units	20	12			
<b>Year-End Total Operating Units</b>	<b>Calculated</b>	<b>389</b>	<b>50</b>		<b>50</b>
% of Franchised Units	<b>Calculated</b>	96.9%			
<b>% of Company-Owned Units</b>	<b>Calculated</b>	<b>3.1%</b>	<b>7</b>		<b>10</b>
<b>U.S. Footprint (# of U.S. States)</b>	<b>20</b>	<b>26</b>	<b>32</b>		<b>35</b>
Total Low Investment	Page 1	\$21,725			
Total High Investment	Page 1	\$69,682			
<b>Average Total Investment Per Unit</b>	<b>Calculated</b>	<b>\$45,704</b>			
Low Unit Size Estimate (Square Feet)	7	No Data			
High Unit Size Estimate (Square Feet)	7	No Data			
Average Unit Size (Square Feet)	<b>Calculated</b>	N/A			
Average Total Investment Per Square Feet	<b>Calculated</b>	N/A			
<b>Average Franchise Fee (Single Unit) *</b>	<b>5 (See Footnote 3)</b>	<b>\$13,000</b>	<b>39</b>		<b>40</b>
<b>Average Annual Royalty Fee (On-Going After Trial Period) *</b>	<b>6 (See Footnote 5)</b>	<b>11.5%</b>	<b>20</b>		<b>90</b>
Term of Initial Contract (Years)	17	2 (Min.) & 5 (Max.)	5		35
Term of First Contract Renewal (Years)	17	2	3		20
<b>Average Transfer Fee (Single Unit)</b>	<b>6</b>	<b>\$1,500/Venue Location</b>	<b>10</b>		<b>10</b>
<b>Year Incorporated</b>	<b>1</b>	<b>2002</b>	<b>9</b>		<b>10</b>
Franchising Since	1	2004			
Issuance Date of FDD (Issue Date)	Page 1	3/5/2019			

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	265			
New Franchised Units Over Following 3 Years	<b>Calculated</b>	632			
Total Franchised Units at the End of Year 3	20	377			
<b>% of New Units Over Base Year Units</b>	<b>Calculated</b>	<b>238.5%</b>	<b>40</b>		<b>40</b>
<b>3-Year Compound Annual Unit Growth</b>	<b>Calculated</b>	<b>12.5%</b>	<b>30</b>		<b>70</b>
<b>3-Year Average Continuity Rate</b>	<b>Calculated</b>	<b>112.8%</b>	<b>130</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 (See Footnote 4)	\$154,674			
Period Operated	19	At Least 1 Year			
Calculation Based on # of Units Evaluated	19	187 of 377			
Calculation Based on Franchised Units or Company-Owned Units	19	Franchised			
% Adjustment *	19 (See Footnote 1)	100.00%			
Adjusted Average Gross Sales or Revenue	Calculated	\$154,674			
Adjusted Unit Gross Sales Return / Average Total Investment	Calculated	338.4%	175		175
Cumulative 10-Year Gross Sales (Compound at 5% Growth Per Year)	Calculated	\$2,042,740			
10-Year Sales / Average Total Investment	Calculated	44.7	75		75
10-Year Total Royalty Payments	Calculated	\$234,915			
10-Year Royalties / Average Total Investment	Calculated	514.0%	0		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
<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	\$339			
Intangibles & Goodwill *	Balance Sheet (See Footnote 2)	\$0			
Other Assets	Balance Sheet	\$0			
Total Assets	Balance Sheet	\$339			
Current Liabilities	Balance Sheet	\$289			
Long-Term Liabilities	Balance Sheet	\$0			
Total Liabilities	Balance Sheet	\$289			
Total Shareholders' Equity	Balance Sheet	\$50			
Total Liabilities & Shareholders' Equity	Balance Sheet	\$339			
Current Ratio (or Working Capital Ratio)	Calculated	117.3%	20		25
Intangibles & Goodwill As % of Total Assets	Calculated	0.0%	20		20
Total Liabilities as % of Total Assets Ratio	Calculated	85.3%	10		35
Long-Term Liabilities as % of Shareholders' Equity Ratio	Calculated	0.0%	20		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		520			
Cumulative Closures as % of Start of the Year Units	Calculated	196.2%			45
Cumulative Closures As % of Total New Units Over 3 Years	Calculated	82.3%			45
3-Year Total Transfers		32			
Cumulative Transfers As % of Start of the Year Units	Calculated	12.1%			25
Cumulative Transfers As % of Total New Units Over 3 Years	Calculated	5.1%			25
3-Year Total Turnovers		552			
Cumulative Turnovers As % of Start of the Year Units	Calculated	208.3%			30
Cumulative Turnovers As % of Total New Units Over 3 Years	Calculated	87.3%			30

<b>Total Score (With Item 19)</b>	<b>695</b>		<b>1,200</b>
<b>Total Score (Without Item 19)</b>	<b>445</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.

3. The Initial Franchise Fee is \$6,000 to \$20,000 for each Main Sushi Bar, depending upon the Average Household Income in the Market Area. So, we took an average of the two to get the Average Franchise Fee.

4. Gross Sales or Revenue is based on 187 Main Sushi Bars and is calculated as follows:

<u>Region</u>	<u>Avg. Gross Sales</u>	<u>#Bars / Region</u>	
California	\$124,519	72	\$8,965,368
Hawaii	\$274,881	16	\$4,398,096
Mid Atlantic	\$321,023	21	\$6,741,483
Mid West	\$105,139	36	\$3,785,004
North West	\$99,763	22	\$2,194,786
South East	\$144,400	17	\$2,454,800
South West	\$64,766	1	\$64,766
FWY	\$159,823	2	\$319,646
		<b>187</b>	\$28,923,949
			<b>\$154,674</b>

5. Compensation to Ace Sushi varies, typically between 8% to 15% of "Gross Sushi Sales".