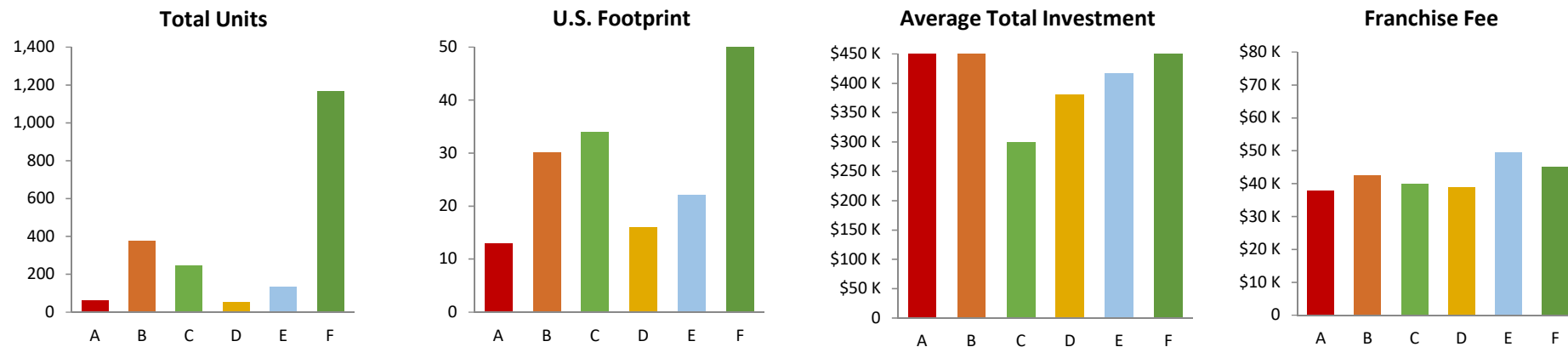


# Sample FranMatrix Analysis

	Company Name (DBA)	Legal Name	Final Score
A	Massage LuXe	Massage Luxe International, LLC	742
B	Hand and Stone Massage and Facial Spa	Hand and Stone Franchise Corp.	717
C	Elements Massage	Elements Therapeutic Massage, LLC	675
D	LaVida Massage	LaVida Massage Franchise Development, Inc.	675
E	Massage Heights	Massage Heights Franchising, LLC	652
F	Massage Envy	Massage Envy Franchising, LLC	627

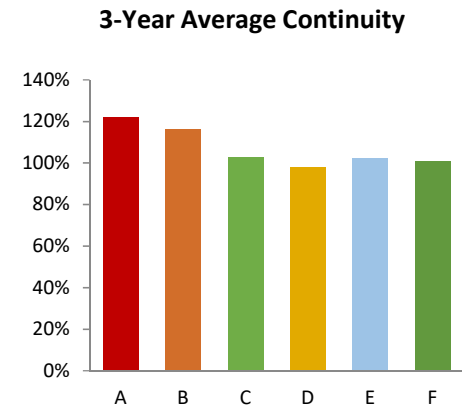
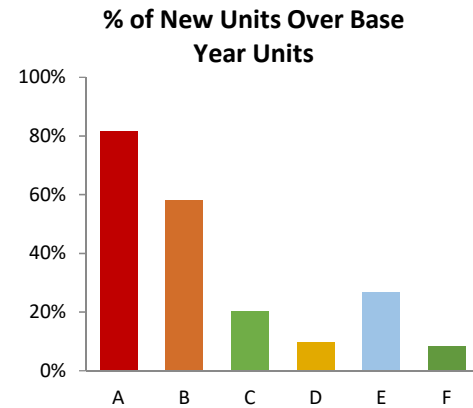
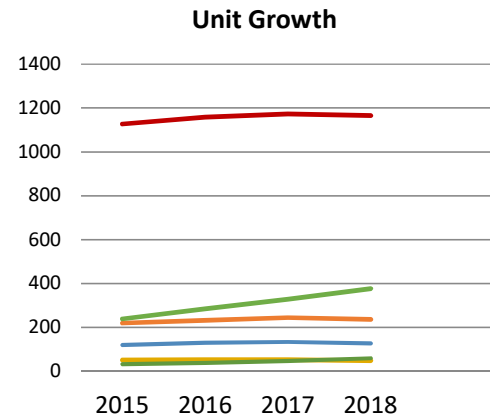
## Key Unit Investment Variables



- **Total Units** is a valuable measure if recent growth was accompanied by proper support. Meteoric growth, however, with the help of third parties, frequently means franchisees are left to fend for themselves while management focuses on growth for its own sake.
- The greater the **Footprint/Geographical Coverage**, the better all franchisees are served. Only U.S. states are included.
- For the purpose of the Franchise Matrix™ analysis, the **Average Total Investment** is used in all cases.
- The **Franchise Fee** should not significantly exceed the franchise fee of its primary competitors.

	Massage LuXe		Hand and Stone Massage and Facial Spa		Elements Massage		LaVida Massage		Massage Heights		Massage Envy		
<b>Weighting for Primary FDD Variables (300 Points)</b>	Data	Score	Data	Score	Data	Score	Data	Score	Data	Score	Data	Score	Max. Score
Year-End Total Franchised Units	60		377		237		49		128		1,165		
Year-End Total Company-Owned Units	0		1		8		2		4		0		
<b>Year-End Total Units</b>	<b>60</b>	<b>30</b>	<b>378</b>	<b>50</b>	<b>245</b>	<b>48</b>	<b>51</b>	<b>30</b>	<b>132</b>	<b>40</b>	<b>1,165</b>	<b>50</b>	<b>50</b>
% of Franchised Units	100.0%		99.7%		96.7%		96.1%		97.0%		100%		
<b>% of Company-Owned Units</b>	<b>0.0%</b>	<b>0</b>	<b>0.3%</b>	<b>2</b>	<b>3.3%</b>	<b>7</b>	<b>3.9%</b>	<b>7</b>	<b>3.0%</b>	<b>7</b>	<b>0%</b>	<b>0</b>	<b>10</b>
<b>U.S. Footprint (# of U.S. States)</b>	<b>13</b>	<b>26</b>	<b>30</b>	<b>32</b>	<b>34</b>	<b>35</b>	<b>16</b>	<b>26</b>	<b>22</b>	<b>32</b>	<b>50</b>	<b>35</b>	<b>35</b>
Total Low Investment	\$443,000		\$532,563		\$225,350		\$284,750		\$362,240		\$481,400		
Total High Investment	\$558,500		\$618,327		\$374,350		\$476,400		\$471,224		\$898,700		
Average Total Investment Per Unit	\$500,750		\$575,445		\$299,850		\$380,575		\$416,732		\$690,050		
Low Unit Size Estimate (Square Feet)	2,200		2,400		1,300		No Data		2,000		2,500		
High Unit Size Estimate (Square Feet)	2,800		3,200		2,000		No Data		2,000		5,000		
Average Unit Size (Square Feet)	2,500		2,800		1,650		N/A		2,000		3,750		
Average Total Investment Per Square Feet	\$200		\$206		\$182		N/A		208		\$184		
<b>Average Franchise Fee (Single Unit)</b>	<b>\$38,000</b>	<b>21</b>	<b>\$42,500</b>	<b>18</b>	<b>\$39,900</b>	<b>21</b>	<b>\$39,000</b>	<b>21</b>	<b>\$49,500</b>	<b>12</b>	<b>\$45,000</b>	<b>15</b>	<b>40</b>
<b>Average Annual Royalty Fee (On-Going After Trial Period)</b>	<b>6.0%</b>	<b>80</b>	<b>6.0%</b>	<b>80</b>	<b>6.0%</b>	<b>80</b>	<b>5.0%</b>	<b>85</b>	<b>6.0%</b>	<b>80</b>	<b>6.0%</b>	<b>80</b>	<b>90</b>
<b>Term of Initial Contract (Years)</b>	<b>10</b>	<b>20</b>	<b>10</b>	<b>20</b>	<b>10</b>	<b>20</b>	<b>10</b>	<b>20</b>	<b>10</b>	<b>20</b>	<b>10</b>	<b>20</b>	<b>35</b>
<b>Term of First Contract Renewal (Years)</b>	<b>10</b>	<b>11</b>	<b>10</b>	<b>11</b>	<b>10</b>	<b>11</b>	<b>10</b>	<b>11</b>	<b>10</b>	<b>11</b>	<b>TBD</b>	<b>10</b>	<b>20</b>
<b>Average Transfer Fee (Single Unit)</b>	<b>\$9,500</b>	<b>8</b>	<b>\$21,250</b>	<b>2</b>	<b>\$19,950</b>	<b>3</b>	<b>\$7,500</b>	<b>9</b>	<b>\$12,375</b>	<b>5</b>	<b>\$30,000</b>	<b>1</b>	<b>10</b>
<b>Year Incorporated</b>	<b>2007</b>	<b>7</b>	<b>2005</b>	<b>7</b>	<b>2006</b>	<b>7</b>	<b>2007</b>	<b>7</b>	<b>2007</b>	<b>7</b>	<b>2002</b>	<b>9</b>	<b>10</b>
Franchising Since	2008		2005		2006		2007		2007		2003		
Issuance Date of FDD (Issue Date)	3/30/2019		4/2/2019		3/13/2019		4/4/2019		4/26/2019		4/30/2019		

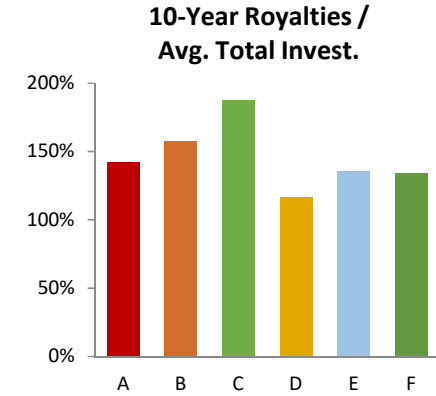
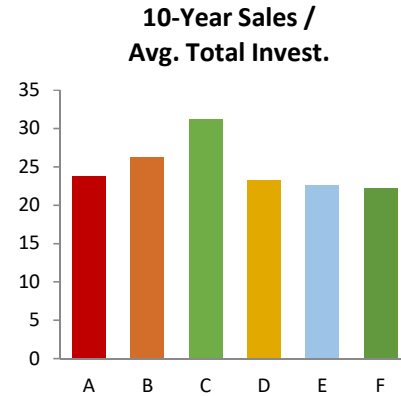
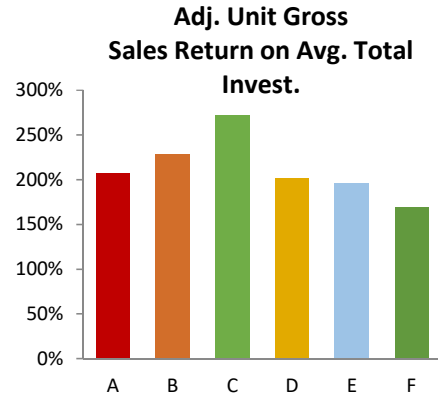
## Real Unit Growth - Item 20 Performance Analytics



- **3-Year Compound Annual Unit Growth** measures the unit growth from base year to end of 2017. Assuming proper support on the part of the franchisor, higher growth is rewarded. Steady and controlled **Unit Growth** are preferred over meteoric growth. Negative unit growth raises red flags.
- **% of New Units Over Base Year Units** is the Total End of 2017 Units divided by Base Year Beginning Units.
- **3-Year Average Continuity Rate** is an important and commonly used metric within the franchising industry that measures the success of a franchise system over its most recent past. Continuity rate is determined for each year by dividing end-of-year total units by beginning-of-year total units and dividing the 3 annual rates by 3 to arrive at an average. If there are a high number of closures or non-renewals within a franchise, the continuity rate will generally result in a rate of less than 100%, as will a system that cannot support its growth and, accordingly, its franchisees are failing. A high continuity rate is evidence of strong support systems. Continuity rates of over 100% were rewarded and ones with less than 100% were penalized.

Weighting for Primary FDD Variables (250 Points)	Massage LuXe		Hand and Stone Massage and Facial Spa		Elements Massage		LaVida Massage		Massage Heights		Massage Envy		Max. Score
	Data	Score	Data	Score	Data	Score	Data	Score	Data	Score	Data	Score	
Base-Year Beginning Franchised Units	33		239		220		52		120		1,127		
New Franchised Units Over Following 3 Years	27		139		45		5		32		95		
Total Franchised Units at the End of Year 3	60		377		237		49		128		1,165		
% of New Units Over Base Year Units	81.8%	40	58.2%	27	20.5%	10	9.6%	4	26.7%	13	8.4%	4	40
3-Year Compound Annual Unit Growth	22.1%	40	16.4%	35	2.5%	10	-2.0%	0	2.2%	10	1.1%	10	70
3-Year Average Continuity Rate	122.1%	140	116.4%	135	102.6%	110	98.1%	100	102.3%	105	101.1%	105	140

## Real Unit Performance - Item 19 Unit Financial Analytic

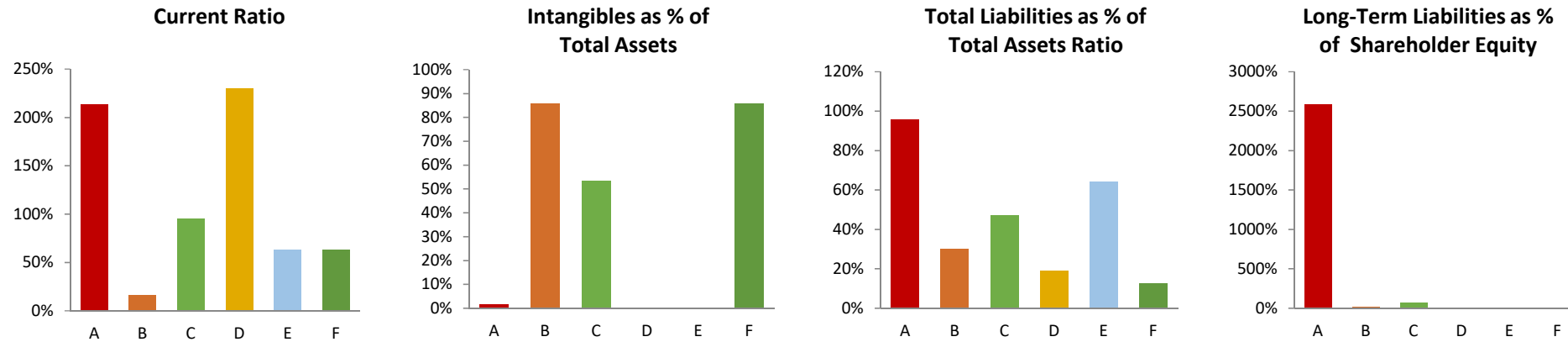


- Adjusted Unit Gross Sales by itself is not as important as **Adjusted Unit Gross Sales as percentage of the Average Total Investment**. Sales and profits must be evaluated as a function of the total investment.
- Whereas a modest difference in year 1 sales as a function of the average investment might be considered of minor importance, a 10-year time horizon puts these differences into perspective.
- Similarly, while a modest difference in year 1 royalty rates between franchisors might be considered of minor importance, cumulative **Royalty** payments over a 10-year time frame as a percentage of Average Total Investment put these differences into perspective.

Weighting for Primary FDD Variables (350 Points)	Massage LuXe		Hand and Stone Massage and Facial Spa		Elements Massage		LaVida Massage		Massage Heights		Massage Envy		Max. Score
	Data	Score	Data	Score	Data	Score	Data	Score	Data	Score	Data	Score	
Company-Wide Average Gross Sales or Revenue	\$901,185		\$1,146,702		\$710,525		\$670,084		\$712,794		\$1,166,980		
Period Operated	Over 13 Months		Over 12 Months		At Least 1 Year		1 Year		At Least 12 Months		At Least 2 Years		
Calculation Based on # of Units Evaluated	48 of 60		324 of 377		214 of 237		50 of 51		120 of 128		1,108 of 1,165		
Calculation Based on Franchised or Company-Owned Units	Franchised		Franchised +1		Franchised		Both		Franchised		Franchised		
% Adjustment*	115%		115%		115%		115%		115%		100%		
Adjusted Average Gross Sales or Revenue	\$1,036,363		\$1,318,707		\$817,104		\$770,597		\$819,713		\$1,166,980		
<b>Adjusted Unit Gross Sales Return on Avg. Total Investment</b>	<b>207.0%</b>	<b>155</b>	<b>229.2%</b>	<b>160</b>	<b>272.5%</b>	<b>172</b>	<b>202.5%</b>	<b>155</b>	<b>196.7%</b>	<b>152</b>	<b>169.1%</b>	<b>140</b>	<b>175</b>
Cum. 10-Year Gross Sales (Compound at 5% Growth / Year)	\$11,901,762		\$15,144,249		\$9,383,752		\$8,849,661		\$9,413,712		\$15,412,057		
<b>10-Year Sales / Average Total Investment</b>	<b>23.8</b>	<b>60</b>	<b>26.3</b>	<b>65</b>	<b>31.3</b>	<b>75</b>	<b>23.3</b>	<b>60</b>	<b>22.6</b>	<b>60</b>	<b>22.3</b>	<b>60</b>	<b>75</b>
10-Year Total Royalty Payments	\$714,106		\$908,655		\$563,025		\$442,483		\$564,823		\$924,723		
<b>10-Year Royalties / Average Total Investment</b>	<b>142.6%</b>	<b>25</b>	<b>157.9%</b>	<b>20</b>	<b>187.8%</b>	<b>11</b>	<b>116.3%</b>	<b>40</b>	<b>135.5%</b>	<b>30</b>	<b>134.0%</b>	<b>30</b>	<b>50</b>
Detailed Income Statement (EBITDA All Units Optimal)	60%	30	0%	0	4%	2	0%	0	0%	0	0%	0	50

\* To adjust stated Average Gross Sales to a "standard" of greater than 2 years, the following adjustments were applied:  
 Over 1 Year = 115%; Over 2 Years = 100%; Over 3 Years = 95%; Over 4 Years = 90%; Over 5 Years = 85%.

## Real Financial Strength - Key Balance Sheet Ratios



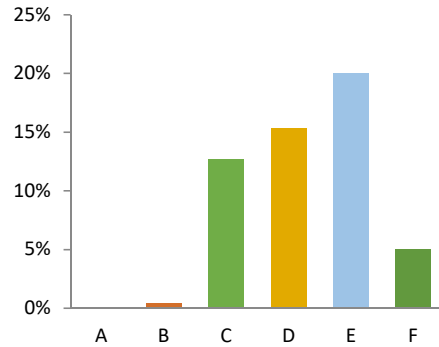
- The **Current Ratio (or Working Capital Ratio)** is a liquidity ratio that reflects the franchisor's ability to pay back its short-term liabilities. A ratio of less than 1 raises a red flag as to whether a franchisor can pay its short-term obligations when due.
- **Intangibles**, including **Goodwill**, are long-term assets represented by non-physical assets. Franchisors whose brands are household names may justify a higher value for intangibles than a relatively new brand with limited experience in the marketplace.
- **Total Liabilities as percentage of Total Assets Ratio** reflects the long-term strength of the franchisor's balance sheet. Over time, one would expect the percentage to decrease. A lower percentage is preferred over a higher percentage.
- **Long-term Liabilities as percentage of Shareholder Equity** reflects the franchisor's long-term capital structure. Over time, one would expect the percentage to decrease. A lower percentage is preferred over a higher percentage.

Balance Sheet Items (\$000)	Message LuXe		Hand and Stone Massage and Facial Spa		Elements Massage		LaVida Massage		Massage Heights		Message Envy		Max. Score
	Data	Score	Data	Score	Data	Score	Data	Score	Data	Score	Data	Score	
<b>Weighting for Primary FDD Variables</b>													
Ending Date for Financials (Closing Date on Balance Sheet)	12/31/2018		12/31/2018		12/31/2018		12/31/2018		12/31/2018		12/31/2018		
Current Assets	\$1,780		\$2,799		\$5,426		\$649		\$905		\$27,847		
Intangibles & Goodwill	\$32		\$95,813		\$25,978		\$0		\$7		\$302,584		
Other Assets	\$125		\$13,050		\$17,372		\$1,462		\$1,307		\$22,048		
Total Assets	\$1,937		\$111,662		\$48,776		\$2,111		\$2,219		\$352,479		
Current Liabilities	\$834		\$17,353		\$5,715		\$282		\$1,425		\$44,135		
Long-Term Liabilities	\$2,017		\$16,442		\$17,348		\$121		\$0		\$1,028		
Total Liabilities	\$1,859		\$33,795		\$23,063		\$403		\$1,425		\$45,163		
Total Shareholders' Equity	\$78		\$77,867		\$25,713		\$1,708		\$794		\$307,316		
Total Liabilities & Shareholders' Equity	\$1,937		\$111,662		\$48,776		\$2,111		\$2,219		\$352,479		

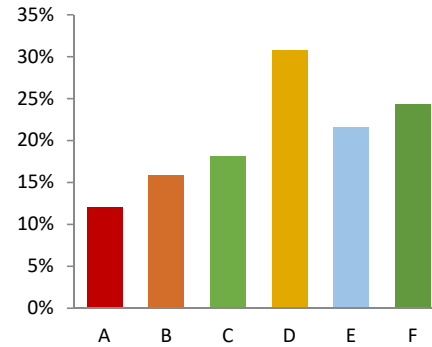
Key Financial Ratio (%)s	Massage LuXe		Hand and Stone Massage and Facial Spa		Elements Massage		LaVida Massage		Massage Heights		Massage Envy		Max. Score
	Data	Score	Data	Score	Data	Score	Data	Score	Data	Score	Data	Score	
Current Ratio (or Working Capital Ratio)	213.4%	25	16.1%	0	94.9%	8	230.1%	25	63.5%	3	63.1%	3	25
Intangibles & Goodwill as % of Total Assets	1.7%	19	85.8%	0	53.3%	4	0.0%	20	0.3%	20	85.8%	0	20
Total Liabilities as % of Total Assets Ratio	96.0%	5	30.3%	35	47.3%	32	19.1%	35	64.2%	25	12.8%	35	35
Long-Term Liabilities as % of Shareholders' Equity Ratio	2585.9%	0	21.1%	18	67.5%	9	7.1%	20	0.0%	20	0.3%	20	20

<b>Total Score</b>	<b>742</b>	<b>717</b>	<b>675</b>	<b>675</b>	<b>652</b>	<b>627</b>	
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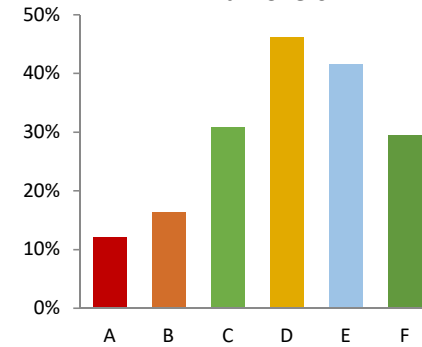
3 Years Cumulative Closures



3 Years Cumulative Transfers



3 Years Cumulative Turnovers



- **Closures** are generally a negative factor and include terminations, non-renewals, units acquired by the franchisor (beware of "churning") and ceased operations. This chart compares the cumulative closures over the 3-year period as a percentage of the 2015 Start of the Year Units. The lower the percentage, the better.
- **Transfers** are generally negative and reflect the number of franchisees who have decided, for whatever reason, to sell (or to transfer) their unit(s), to a new owner. Legitimate intra-family transfers involving many units could unfairly penalize the franchisor. Determine from the franchisor the reason for any large transfers. This chart compares the cumulative transfers over the 3-year period as a percentage of the 2015 Start of the Year Units. The lower the percentage, the better.
- **Turnovers** are the sum of both closures and transfers. The lower the percentage, the better.

Weighting for Primary FDD Variables (200 Points)	Message LuXe		Hand and Stone Massage and Facial Spa		Elements Massage		LaVida Massage		Massage Heights		Message Envy		Max. Score
	Data	Score	Data	Score	Data	Score	Data	Score	Data	Score	Data	Score	
3-Year Total Closures	0		1		28		8		24		57		
Cumulative Closures as % of 2015 Start of the Year Units	0.0%	45	0.4%	45	12.7%	28	15.4%	24	20.0%	24	5.1%	38	45
Cumulative Closures as % of Total New Units Over 3 Years	0.0%	45	0.7%	45	62.2%	0	160.0%	0	75.0%	0	60.0%	0	45
3-Year Total Transfers	4		38		40		16		26		275		
Cumulative Transfers as % of 2015 Start of the Year Units	12.1%	16	15.9%	16	18.2%	13	30.8%	7	21.7%	11	24.4%	11	25
Cumulative Transfers as % of Total New Units Over 3 Years	14.8%	16	27.3%	9	88.9%	0	320.0%	0	81.3%	0	289.5%	0	25
3-Year Total Turnovers	4		39		68		24		50		332		
Cumulative Turnovers as % of 2015 Start of the Year Units	12.1%	19	16.3%	16	30.9%	8	46.2%	1	41.7%	3	29.5%	11	30
Cumulative Turnovers as % of Total New Units Over 3 Years	14.8%	19	28.1%	11	151.1%	0	480.0%	0	156.3%	0	349.5%	0	30
<b>Total Score</b>		<b>902</b>		<b>859</b>		<b>724</b>		<b>707</b>		<b>690</b>		<b>687</b>	<b>/1,200</b>