



Auntie Anne's®

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Franchised Units:	1,225	In Business Since:	1988	Royalty:	7%
Company-Owned Units:	<u>13</u>	Average Franchise Fee:	\$30K	IFA Member:	Yes
Total Operating Units:	1,238	Total Investment Range:	\$199.5-385.1K	Term of Initial Contract:	20 Years

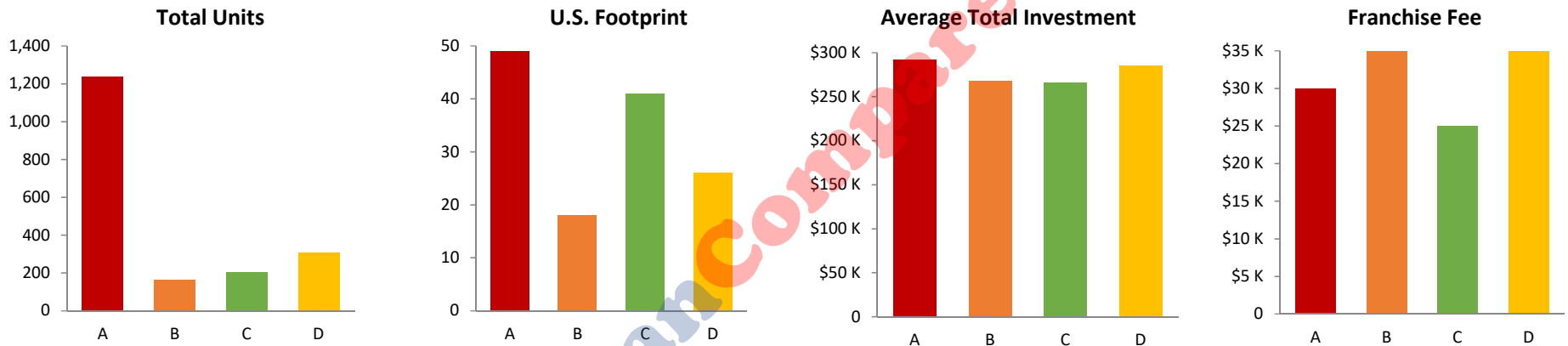
COMPANY'S DESCRIPTION HERE
(MAX. 600 WORDS & 2 IMAGES)

Pretzel Stores Industry

	Company Name (DBA)	Legal Name	Final Score
A	Auntie Anne's	Auntie Anne's Franchisor SPV, LLC	742
B	Philly Pretzel Factory (Traditional Full Production)	Soft Pretzel Franchise Systems, Inc.	683
C	Pretzelmaker (Traditional Store)	PM Franchising, LLC	681
D	Wetzel's Pretzels (Single Bakery)	Wetzel's Pretzels, LLC	673

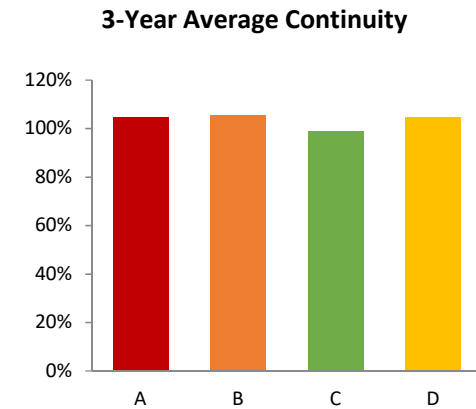
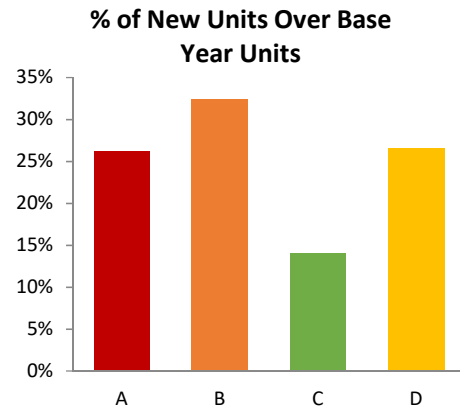
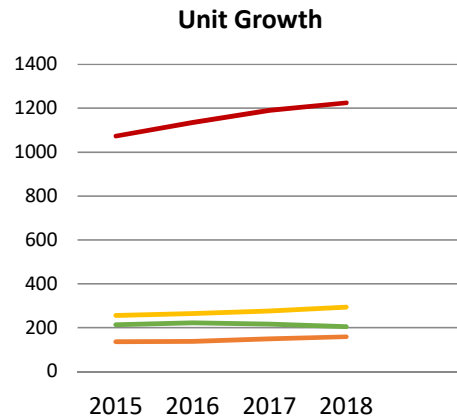
Key Unit Investment Variables

30%



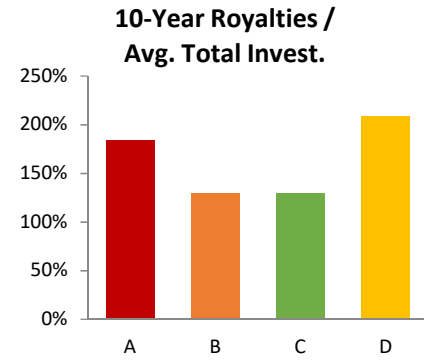
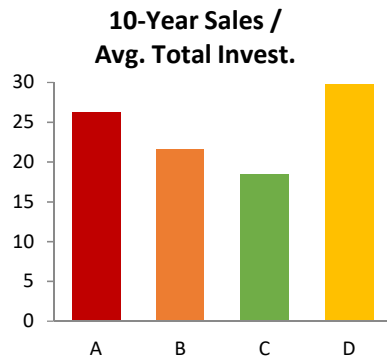
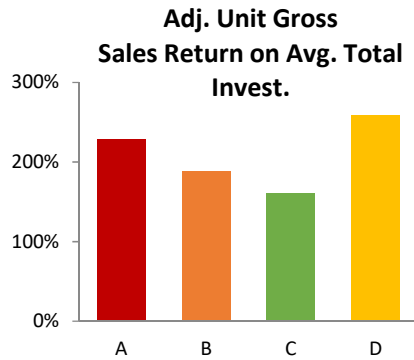
- **Total Units** is a valuable measure if recent growth was accompanied by proper support. Meteoric growth, however, with the help of third parties, frequently means franchisees are left to fend for themselves while management focuses on growth for its own sake.
- The greater the **Footprint/Geographical 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.

	Auntie Anne's		Philly Pretzel Factory (Traditional Full Production)		Pretzelmaker (Traditional Store)		Wetzel's Pretzels (Single Bakery)		
Weighting for Primary FDD Variables (300 Points)	Data	Score	Data	Score	Data	Score	Data	Score	Max. Score
Year-End Total Franchised Units	1,225		159		205		294		
Year-End Total Company-Owned Units	13		4		0		12		
Year-End Total Units	1,238	50	163	45	205	48	306	50	50
% of Franchised Units	98.9%		97.5%		100.0%		96.1%		
% of Company-Owned Units	1.1%	5	2.5%	5	0.0%	0	3.9%	7	10
U.S. Footprint (# of U.S. States)	49	35	18	26	41	35	26	32	35
Total Low Investment	\$199,475		\$209,673		\$205,200		\$164,950		
Total High Investment	\$385,100		\$327,059		\$327,000		\$405,850		
Average Total Investment Per Unit	\$292,288		\$268,366		\$266,100		\$285,400		
Low Unit Size Estimate (Square Feet)	400		800		200		600		
High Unit Size Estimate (Square Feet)	600		1,200		850		800		
Average Unit Size (Square Feet)	500		1,000		525		700		
Average Total Investment Per Square Feet	\$585		\$268		\$507		\$408		
Average Franchise Fee (Single Unit)	\$30,000	30	\$35,000	24	\$25,000	33	\$35,000	24	40
Average Annual Royalty Fee (On-Going After Trial Period)	7.0%	60	6.0%	80	7.0%	60	7.0%	60	90
Term of Initial Contract (Years)	20	35	10	20	10	20	10	20	35
Term of First Contract Renewal (Years)	20	20	10	11	10	11	1 to 10	6	20
Average Transfer Fee (Single Unit)	\$9,000	8	\$17,500	3	\$10,000	8	\$22,500	2	10
Year Incorporated	1988	10	1998	10	1991	10	1995	10	10
Franchising Since	1991		2004		2004		1996		
Issuance Date of FDD (Issue Date)	4/1/2018		4/27/2018		11/21/2018		10/31/2018		



- **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.

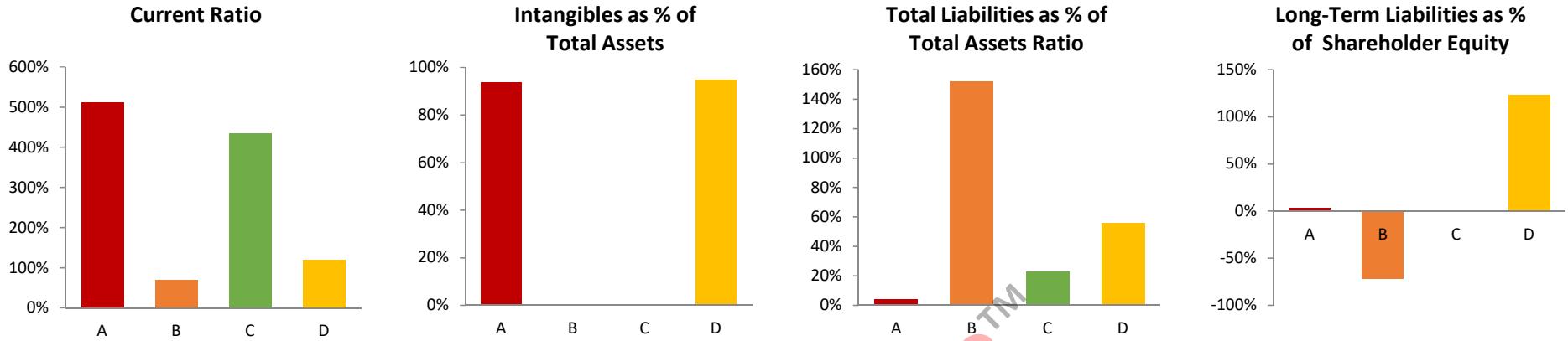
Weighting for Primary FDD Variables (250 Points)	Auntie Anne's		Philly Pretzel Factory (Traditional Full Production)		Pretzelmaker (Traditional Store)		Wetzel's Pretzels (Single Bakery)		Max. Score
	Data	Score	Data	Score	Data	Score	Data	Score	
Base-Year Beginning Franchised Units	1,073		136		214		256		
New Franchised Units Over Following 3 Years	281		44		30		68		
Total Franchised Units at the End of Year 3	1,225		159		205		294		
% of New Units Over Base Year Units	26.2%	13	32.4%	15	14.0%	6	26.6%	13	40
3-Year Compound Annual Unit Growth	4.5%	10	5.3%	25	-1.4%	0	4.7%	10	70
3-Year Average Continuity Rate	104.5%	110	105.4%	115	98.7%	100	104.7%	110	140



- 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)	Auntie Anne's		Philly Pretzel Factory (Traditional Full Production)		Pretzelmaker (Traditional Store)		Wetzel's Pretzels (Single Bakery)		Max. Score
	Data	Score	Data	Score	Data	Score	Data	Score	
Company-Wide Average Gross Sales or Revenue	\$580,049		\$438,828		\$372,411		\$644,267		
Period Operated	Over 1 Year		1 Year		1 Year		12 Months		
Calculation Based on # of Units Evaluated	533 of 685		102 of 159		105 of 205		183 of 294		
Calculation Based on Franchised or Company-Owned Units	Enclosed Mall Franchises		Franchised		Franchised		Franchised		
% Adjustment*	115%		115%		115%		115%		
Adjusted Average Gross Sales or Revenue	\$667,056		\$504,652		\$428,273		\$740,907		
Adjusted Unit Gross Sales Return on Avg. Total Investment	228.2%	160	188.0%	150	160.9%	135	259.6%	167	175
Cum. 10-Year Gross Sales (Compounded at 5% Growth / Year)	\$7,660,584		\$5,795,508		\$4,918,353		\$8,508,697		
10-Year Sales / Average Total Investment	26.2	65	21.6	55	18.5	45	29.8	70	75
10-Year Total Royalty Payments	\$536,241		\$347,730		\$344,285		\$595,609		
10-Year Royalties / Average Total Investment	183.5%	11	129.6%	35	129.4%	35	208.7%	7	50
Detailed Income Statement (EBITDA All Units Optimal)	80%	40	80%	40	70%	35	70%	35	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%.



- 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)	Auntie Anne's		Philly Pretzel Factory (Traditional Full Production)		Pretzelmaker (Traditional Store)		Wetzel's Pretzels (Single Bakery)		Max. Score
	Data	Score	Data	Score	Data	Score	Data	Score	
Weighting for Primary FDD Variables (100 Points)	Data	Score	Data	Score	Data	Score	Data	Score	Max. Score
Ending Date for Financials (Closing Date on Balance Sheet)	12/31/2017		12/31/2017		12/31/2017		1/1/2017		
Current Assets	\$16,798		\$1,071		\$514		\$4,129		
Intangibles & Goodwill	\$272,189		\$0		\$0		\$142,257		
Other Assets	\$1,404		\$258		\$0		\$3,590		
Total Assets	\$290,391		\$1,329		\$514		\$149,976		
Current Liabilities	\$3,276		\$1,527		\$118		\$3,425		
Long-Term Liabilities	\$8,582		\$491		\$0		\$80,823		
Total Liabilities	\$11,858		\$2,018		\$118		\$84,248		
Shareholders' Equity	\$278,533		-\$688		\$396		\$65,728		
Total Liabilities & Shareholders' Equity	\$290,391		\$1,329		\$514		\$149,976		

Key Financial Ratio (%)s	Auntie Anne's		Philly Pretzel Factory (Traditional Full Production)		Pretzelmaker (Traditional Store)		Wetzel's Pretzels (Single Bakery)		Max. Score
	Data	Score	Data	Score	Data	Score	Data	Score	
Weighting for Primary FDD Variables (100 Points)									
Current Ratio (or Working Capital Ratio)	512.8%	25	70.1%	4	435.6%	25	120.6%	20	25
Intangibles & Goodwill as % of Total Assets	93.7%	0	0.0%	20	0.0%	20	94.9%	0	20
Total Liabilities as % of Total Assets Ratio	4.1%	35	151.8%	0	23.0%	35	56.2%	30	35
Long-Term Liabilities as % of Shareholders' Equity Ratio	3.1%	20	-71.4%	0	0.0%	20	123.0%	0	20

Total Score	742	683	681	673	/1000
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FranCompare™

FranCompare™ and the World Franchising Network have been in the franchising business for over 30 years. During that period, we have gained some meaningful insights into what separates great franchise systems from mediocre ones. The FranCompare™ Franchise Recognition Program is the result of those decades of experience. The underlying analysis relies upon a unique template called Franchise Matrix™. The Franchise Matrix™ allows a prospective investor, analyst or lender to prioritize which objective factors in each franchisor's FDD are most important in analyzing competing systems and to compare systems side-by-side. Keep in mind that the methodology and results of the Franchise Recognition Program are solely the opinions of FranCompare™ and are based solely on what we consider to be the key factors taken from each franchisor's 2018 FDD. If you want to modify the weighting of the variables or change the variables themselves, please [click here](#) for a customizable worksheet that can accommodate your personal priorities.

FranCompare™ also provides custom side-by-side analyses for clients. You can choose from over 2,100 2018 FDDs and over 2,300 2017 FDDs listed on www.FranchiseDisclosures.com. If you have an interest in a custom FranCompare™ analysis, please give us a call at (888) 612-9908. The minimum charge for 4 companies is \$600 and each additional company is \$150.

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