



K9 RESORTS DAYCARE
& LUXURY
HOTEL

43 South Avenue
Fanwood, NJ 07023
(908) 889-PETS
www.k9resorts.com

Franchised Units:	6	In Business Since:	2005	Royalty:	6%
Company-Owned Units:	<u>1</u>	Average Franchise Fee:	\$49.5K	IFA Member:	Yes
Total Operating Units:	7	Total Investment Range:	\$903.7 – 1,262.9K	Term of Initial Contract:	10 Years

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

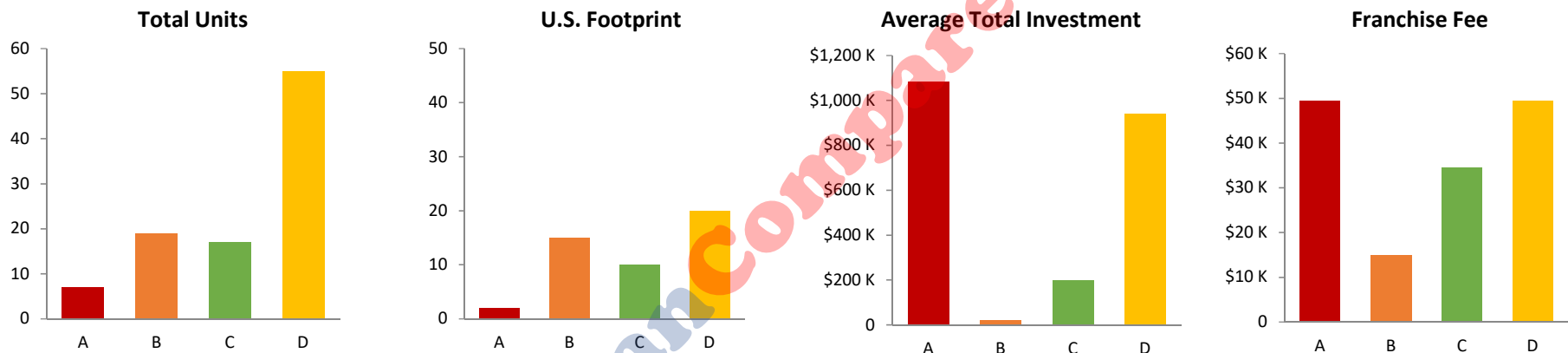
FranCompare™ Franchise Recognition Program 2019

Pet Day Care & Boarding Industry

	Company Name (DBA)	Legal Name	Final Score
A	K-9 Resorts	K-9 Franchising, LLC	715
B	Snaggle Foot	Snaggle Foot, LLC	692
C	Preppy Pet	Preppy Pet Franchises, Inc.	667
D	Dogtopia	Better Together, LLC	640

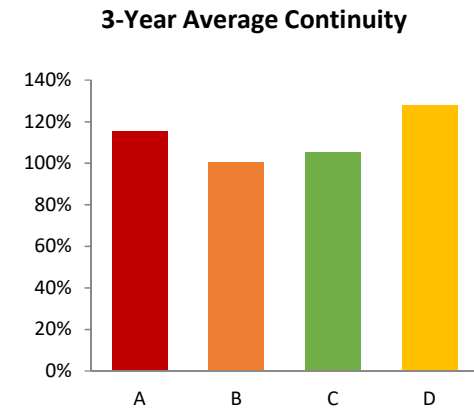
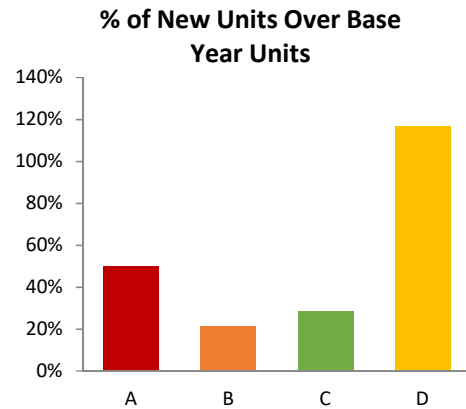
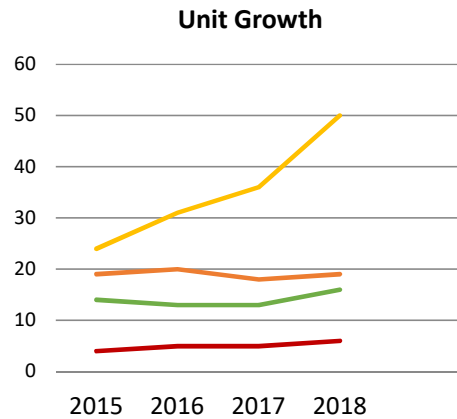
Key Unit Investment Variables

30%



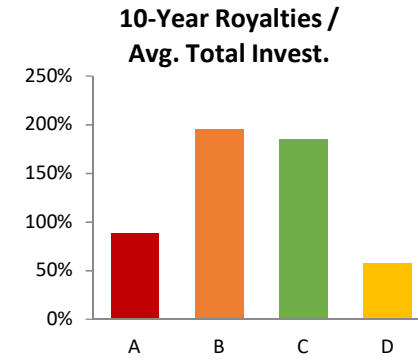
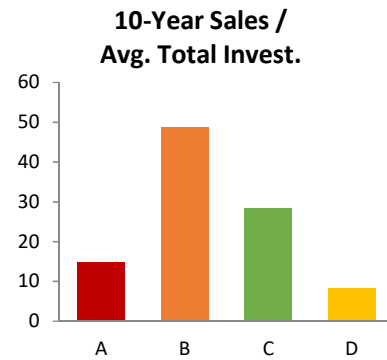
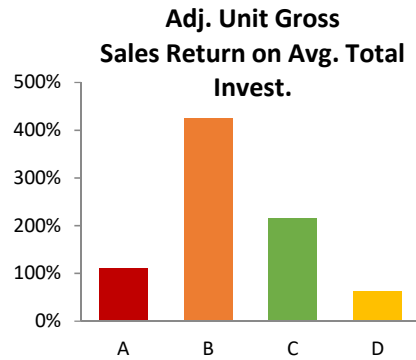
- **Total Units** is a valuable measure if recent growth was accompanied by proper support. Meteoric growth, however, with the help of third parties, frequently means franchisees are left to fend for themselves while management focuses on growth for its own sake.
- The greater the **Footprint/Geographical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

	K-9 Resorts		Snaggle Foot		Preppy Pet		Dogtopia		
Weighting for Primary FDD Variables (300 Points)	Data	Score	Data	Score	Data	Score	Data	Score	Max. Score
Year-End Total Franchised Units	6		19		16		50		
Year-End Total Company-Owned Units	1		0		1		5		
Year-End Total Units	7	15	19	20	17	20	55	30	50
% of Franchised Units	85.7%		100.0%		94.1%		90.9%		
% of Company-Owned Units	14.3%	10	0.0%	0	5.9%	7	9.1%	10	10
U.S. Footprint (# of U.S. States)	2	4	15	26	10	15	20	26	35
Total Low Investment	\$903,655		\$16,260		\$138,700		\$606,545		
Total High Investment	\$1,262,859		\$25,900		\$258,200		\$1,279,145		
Average Total Investment Per Unit	\$1,083,257		\$21,080		\$198,450		\$942,845		
Low Unit Size Estimate (Square Feet)	5,000		No Data		3,000		3,000		
High Unit Size Estimate (Square Feet)	7,000		No Data		6,000		10,000		
Average Unit Size (Square Feet)	6,000		N/A		4,500		6,500		
Average Total Investment Per Square Feet	\$181		N/A		\$44		\$145		
Average Franchise Fee (Single Unit)	\$49,500	12	\$15,000	39	\$34,500	24	\$49,500	12	40
Average Annual Royalty Fee (On-Going After Trial Period)	6.0%	80	4.0%	90	6.5%	70	7.0%	60	90
Term of Initial Contract (Years)	10	20	10	20	15	30	10	20	35
Term of First Contract Renewal (Years)	10+10	20	10	11	15	17	10	11	20
Average Transfer Fee (Single Unit)	\$7,425	9	\$500	10	\$9,950	8	\$7,500	9	10
Year Incorporated	2005	7	2014	4	2003	9	2002	9	10
Franchising Since	2011		2014		2006		2012		
Issuance Date of FDD (Issue Date)	2/21/2018		4/27/2018		3/15/2018		4/6/2018		



- **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.

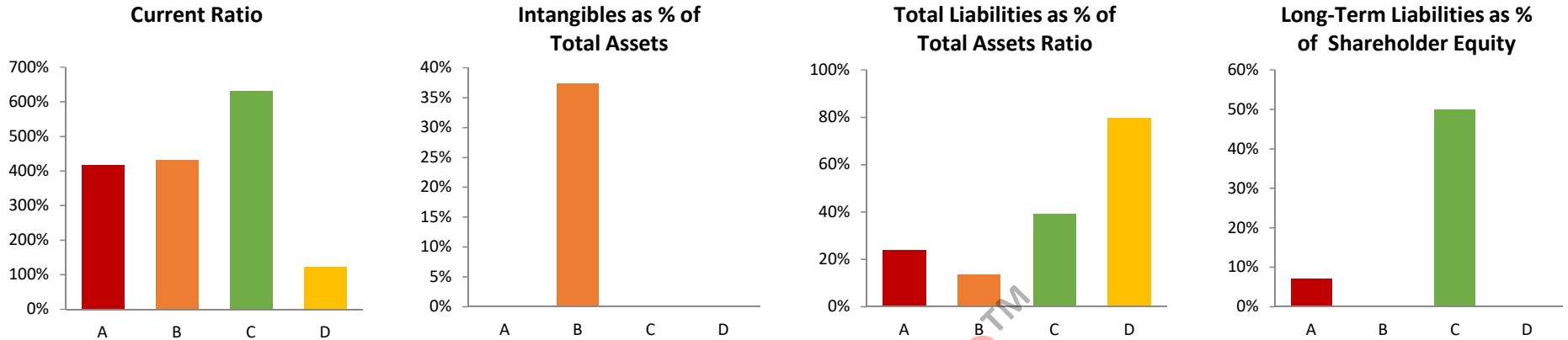
Weighting for Primary FDD Variables (250 Points)	K-9 Resorts		Snaggle Foot		Preppy Pet		Dogtopia		Max. Score
	Data	Score	Data	Score	Data	Score	Data	Score	
Base-Year Beginning Franchised Units	4		19		14		24		
New Franchised Units Over Following 3 Years	2		4		4		28		
Total Franchised Units at the End of Year 3	6		19		16		50		
% of New Units Over Base Year Units	50.0%	25	21.1%	10	28.6%	13	116.7%	40	40
3-Year Compound Annual Unit Growth	14.5%	33	0.0%	10	4.6%	10	27.7%	48	70
3-Year Average Continuity Rate	115.0%	135	100.3%	105	105.3%	115	128.1%	140	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.

	K-9 Resorts		Snaggle Foot		Preppy Pet		Dogtopia		
Weighting for Primary FDD Variables (350 Points)	Data	Score	Data	Score	Data	Score	Data	Score	Max. Score
Company-Wide Average Gross Sales or Revenue	\$1,204,113		\$77,948		\$427,667		\$586,908		
Period Operated	At Least 24 Months		1 Year		At Least 24 Months		2 to 3 Years		
Calculation Based on # of Units Evaluated	2 of 6		18 of 19		12 of 16		4 of 50		
Calculation Based on Franchised or Company-Owned Units	Franchised		Franchised		Franchised		Franchised		
% Adjustment*	100%		115%		100%		100%		
Adjusted Average Gross Sales or Revenue	\$1,204,113		\$89,640		\$427,667		\$586,908		
Adjusted Unit Gross Sales Return on Avg. Total Investment	111.2%	110	425.2%	175	215.5%	157	62.2%	60	175
Cum.10-Year Gross Sales (Compounded at 5% Growth / Year)	\$15,902,464		\$1,029,443		\$5,648,107		\$7,751,169		
10-Year Sales / Average Total Investment	14.7	35	48.8	75	28.5	70	8.2	15	75
10-Year Total Royalty Payments	\$954,148		\$41,178		\$367,127		\$542,582		
10-Year Royalties / Average Total Investment	88.1%	50	195.3%	9	185.0%	11	57.5%	50	50
Detailed Income Statement (EBITDA All Units Optimal)	100%	50	0%	0	0%	0	50%	25	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)	K-9 Resorts		Snaggle Foot		Preppy Pet		Dogtopia		Max. Score
	Data	Score	Data	Score	Data	Score	Data	Score	
Weighting for Primary FDD Variables (100 Points)									
Ending Date for Financials (Closing Date on Balance Sheet)	12/31/2017		12/31/2017		12/31/2017		12/30/2017		
Current Assets	\$480		\$39		\$164		\$5,900		
Intangibles & Goodwill	\$0		\$25		\$0		\$0		
Other Assets	\$141		\$3		\$126		\$167		
Total Assets	\$621		\$67		\$290		\$6,067		
Current Liabilities	\$115		\$9		\$26		\$4,827		
Long-Term Liabilities	\$34		\$0		\$88		\$0		
Total Liabilities	\$149		\$9		\$114		\$4,827		
Shareholders' Equity	\$472		\$58		\$176		\$1,240		
Total Liabilities & Shareholders' Equity	\$621		\$67		\$290		\$6,067		

Key Financial Ratio (%)s	K-9 Resorts		Snaggle Foot		Preppy Pet		Dogtopia		Max. Score
	Data	Score	Data	Score	Data	Score	Data	Score	
Weighting for Primary FDD Variables (100 Points)									
Current Ratio (or Working Capital Ratio)	417.4%	25	433.3%	25	630.8%	25	122.2%	20	25
Intangibles & Goodwill as % of Total Assets	0.0%	20	37.3%	8	0.0%	20	0.0%	20	20
Total Liabilities as % of Total Assets Ratio	24.0%	35	13.4%	35	39.3%	33	79.6%	15	35
Long-Term Liabilities as % of Shareholders' Equity Ratio	7.2%	20	0.0%	20	50.0%	13	0.0%	20	20

Total Score	715	692	667	640	/1000
--------------------	------------	------------	------------	------------	--------------

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.

Source: All information in the FranCompare™ Franchise Recognition Program, the Franchise Matrix™ and related charts and graphs was compiled from publicly available Franchise Disclosure Documents (FDDs). FranCompare™ permits no reproduction, electronic transmission or other distribution of the FranCompare™ Franchise Recognition Program or Franchise Matrix™, in whole or in part, except as authorized by separate signed Agreement.

FranCompare™ and Franchise Matrix™ are marks of FranCompare, Inc. All FranCompare™ analyses are copyrighted with the US Copyright Office. Any unauthorized use or infringement of the above will be pursued.

Feel free to contact us at:

FranCompare™

1814 Franklin Street, Suite 800

Oakland, CA 94612

(888) 612-9908