



PALM BEACH TAN®

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Franchised Units:	257	In Business Since:	1990	Royalty:	6%
Company-Owned Units:	190	Average Franchise Fee:	\$30K	IFA Member:	Yes
Total Operating Units:	447	Total Investment Range:	\$478.6-788.6K	Term of Initial Contract:	10 Years

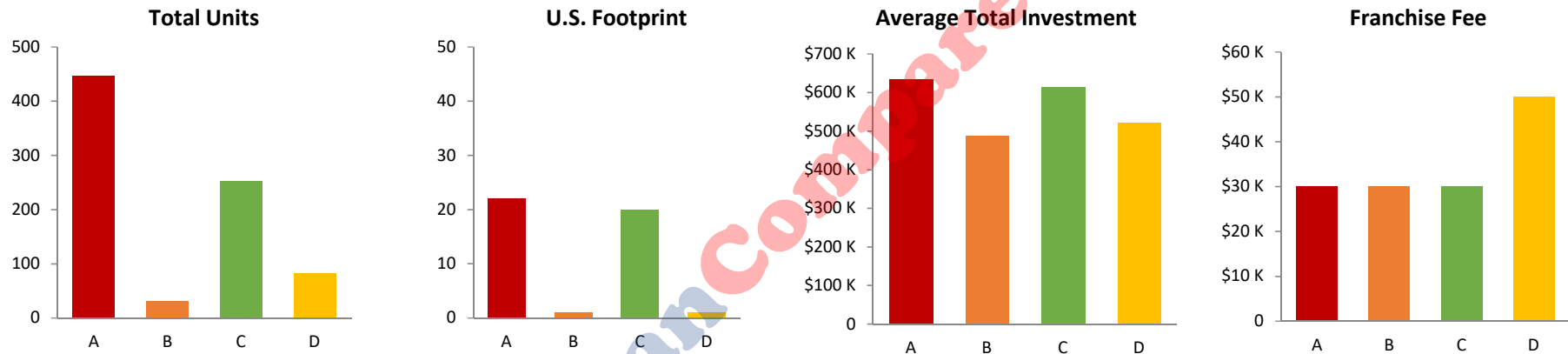
COMPANY'S DESCRIPTION HERE
(MAX. 600 WORDS & 2 IMAGES)

Tanning Salons Industry

	Company Name (DBA)	Legal Name	Final Score
A	Palm Beach Tan	Palm Beach Tan Franchising, Inc.	648
B	iTAN Salon	iTAN Franchising, Inc.	596
C	Sun Tan City	STC Franchising, LLC	540
D	Desert Sun Tanning Salons	DST Franchising, LLC	264

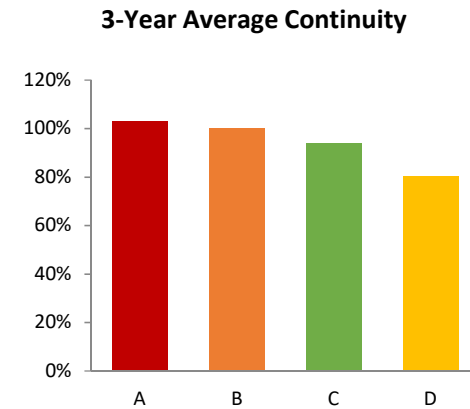
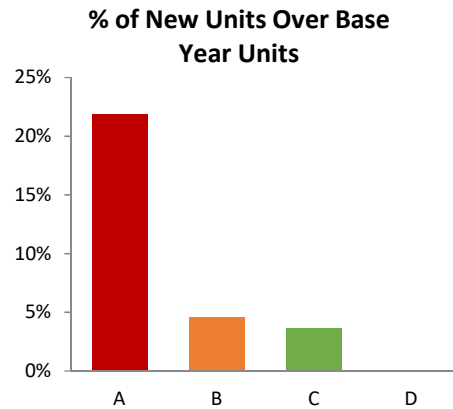
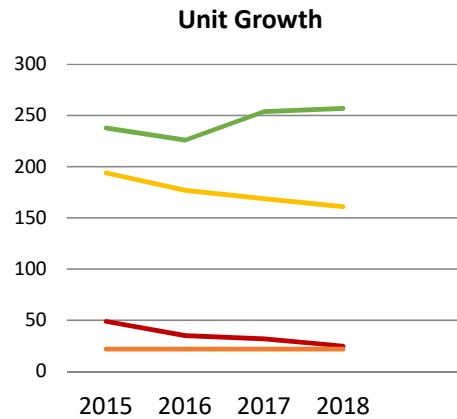
Key Unit Investment Variables

30%



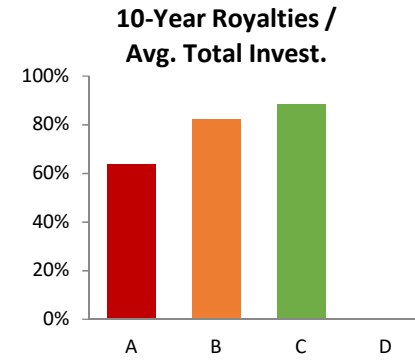
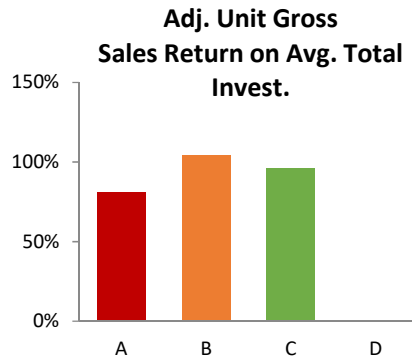
- **Total Units** is a valuable measure if recent growth was accompanied by proper support. Meteoric growth, however, with the help of third parties, frequently means franchisees are left to fend for themselves while management focuses on growth for its own sake.
- The greater the **Footprint/Geographical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

	Palm Beach Tan		iTAN Salon		Sun Tan City		Desert Sun Tanning Salons		
Weighting for Primary FDD Variables (300 Points)	Data	Score	Data	Score	Data	Score	Data	Score	Max. Score
Year-End Total Franchised Units	257		22		161		25		
Year-End Total Company-Owned Units	190		9		91		57		
Year-End Total Units	447	50	31	25	252	50	82	35	50
% of Franchised Units	57.5%		71.0%		63.9%		30.5%		
% of Company-Owned Units	42.5%	7	29.0%	7	36.1%	7	69.5%	5	10
U.S. Footprint (# of U.S. States)	22	32	1	2	20	26	1	2	35
Total Low Investment	\$478,619		\$326,000		\$452,299		\$404,500		
Total High Investment	\$788,589		\$650,000		\$777,539		\$640,500		
Average Total Investment Per Unit	\$633,604		\$488,000		\$614,919		\$522,500		
Low Unit Size Estimate (Square Feet)	2,200		1,500		3,000		2,000		
High Unit Size Estimate (Square Feet)	2,600		4,000		3,000		2,000		
Average Unit Size (Square Feet)	2,400		2,750		3,000		2,000		
Average Total Investment Per Square Foot	\$264		\$177		\$205		\$261		
Average Franchise Fee (Single Unit)	\$30,000	30	\$30,000	30	\$30,000	30	\$50,000	12	40
Average Annual Royalty Fee (On-Going After Trial Period)	6.0%	80	6.0%	80	8.0%	40	6.0%	80	90
Term of Initial Contract (Years)	10	20	10	20	10	20	10	20	35
Term of First Contract Renewal (Years)	10	11	5+5+5+5	20	10	11	10	11	20
Average Transfer Fee (Single Unit)	\$5,000	10	\$3,750	10	\$5,000	10	\$20,000	3	10
Year Incorporated	1990	10	2001	9	1999	10	1999	10	10
Franchising Since	2001		2008		2007		2007		
Issuance Date of FDD (Issue Date)	4/13/2018		4/13/2018		3/31/2018		6/14/2018		



- **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.

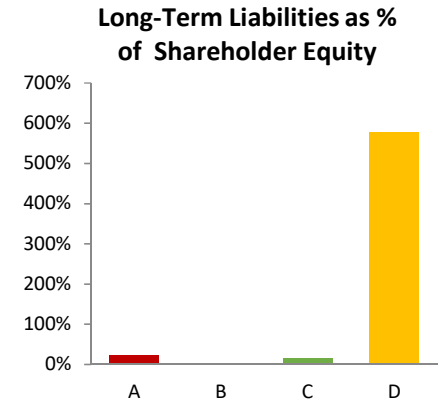
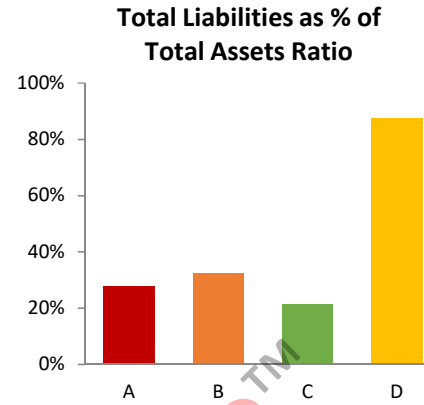
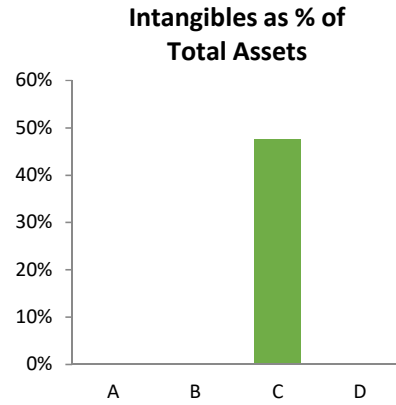
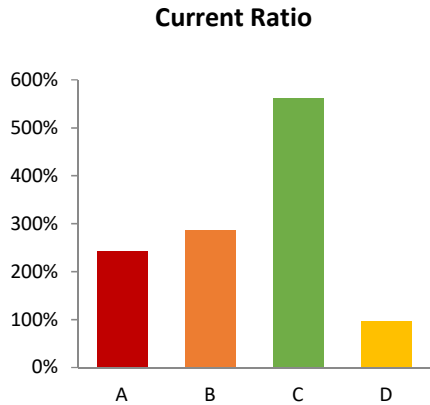
Weighting for Primary FDD Variables (250 Points)	Palm Beach Tan		iTAN Salon		Sun Tan City		Desert Sun Tanning Salons		Max. Score
	Data	Score	Data	Score	Data	Score	Data	Score	
Base-Year Beginning Franchised Units	238		22		194		49		
New Franchised Units Over Following 3 Years	52		1		7		0		
Total Franchised Units at the End of Year 3	257		22		161		25		
% of New Units Over Base Year Units	21.8%	10	4.5%	0	3.6%	0	0.0%	0	40
3-Year Compound Annual Unit Growth	2.6%	10	0.0%	10	-6.0%	0	-20.1%	0	70
3-Year Average Continuity Rate	102.8%	110	100.0%	100	94.0%	85	80.3%	48	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.

	Palm Beach Tan		iTAN Salon		Sun Tan City		Desert Sun Tanning Salons		
Weighting for Primary FDD Variables (350 Points)	Data	Score	Data	Score	Data	Score	Data	Score	Max. Score
Company-Wide Average Gross Sales or Revenue	\$512,065		\$507,697		\$514,212		No Item 19		
Period Operated	24 Months		At Least 24 Months		12 Months		No Item 19		
Calculation Based on # of Units Evaluated	219 of 257		21 of 22		160 of 161		No Item 19		
Calculation Based on Franchised or Company-Owned Units	Franchised		Franchised		Franchised		No Item 19		
% Adjustment*	100%		100%		115%		No Item 19		
Adjusted Average Gross Sales or Revenue	\$512,065		\$507,697		\$591,344		No Item 19		
Adjusted Unit Gross Sales Return on Avg. Total Investment	80.8%	70	104.0%	100	96.2%	90	No Item 19	0	175
Cum.10-Year Gross Sales (Compounded at 5% Growth / Year)	\$6,762,733		\$6,705,046		\$6,791,088		No Item 19		
10-Year Sales / Average Total Investment	10.7	25	13.7	35	11.0	25	No Item 19	0	75
10-Year Total Royalty Payments	\$405,764		\$402,303		\$543,287		No Item 19		
10-Year Royalties / Average Total Investment	64.0%	50	82.4%	50	88.4%	50	No Item 19	0	50
Detailed Income Statement (EBITDA All Units Optimal)	50%	25	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%.



- 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)	Palm Beach Tan		iTAN Salon		Sun Tan City		Desert Sun Tanning Salons		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		12/31/2017		
Current Assets	\$835		\$667		\$585		\$231		
Intangibles & Goodwill	\$0		\$0		\$532		\$0		
Other Assets	\$2,506		\$44		-\$1		\$1,254		
Total Assets	\$3,341		\$711		\$1,116		\$1,485		
Current Liabilities	\$343		\$232		\$104		\$236		
Long-Term Liabilities	\$585		\$0		\$137		\$1,065		
Total Liabilities	\$928		\$232		\$241		\$1,301		
Shareholders' Equity	\$2,413		\$479		\$875		\$184		
Total Liabilities & Shareholders' Equity	\$3,341		\$711		\$1,116		\$1,485		

Key Financial Ratio (%)s	Palm Beach Tan		iTAN Salon		Sun Tan City		Desert Sun Tanning Salons		Max. Score
	Data	Score	Data	Score	Data	Score	Data	Score	
Weighting for Primary FDD Variables (100 Points)									
Current Ratio (or Working Capital Ratio)	243.4%	25	287.5%	25	562.5%	25	97.9%	8	25
Intangibles & Goodwill as % of Total Assets	0.0%	20	0.0%	20	47.7%	6	0.0%	20	20
Total Liabilities as % of Total Assets Ratio	27.8%	35	32.6%	33	21.6%	35	87.6%	10	35
Long-Term Liabilities as % of Shareholders' Equity Ratio	24.2%	18	0.0%	20	15.7%	20	578.8%	0	20

Total Score	648	596	540	264	/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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