



# Rhea Lana's

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 Conway, AR 72034  
 (501) 336-4492  
[www.rhealana.com](http://www.rhealana.com)

<b>Franchised Units:</b>	78	<b>In Business Since:</b>	1997	<b>Royalty:</b>	2%
<b>Company-Owned Units:</b>	3	<b>Average Franchise Fee:</b>	\$12.8K	<b>IFA Member:</b>	Yes
<b>Total Operating Units:</b>	81	<b>Total Investment Range:</b>	\$20.6-40K	<b>Term of Initial Contract:</b>	5 Years

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

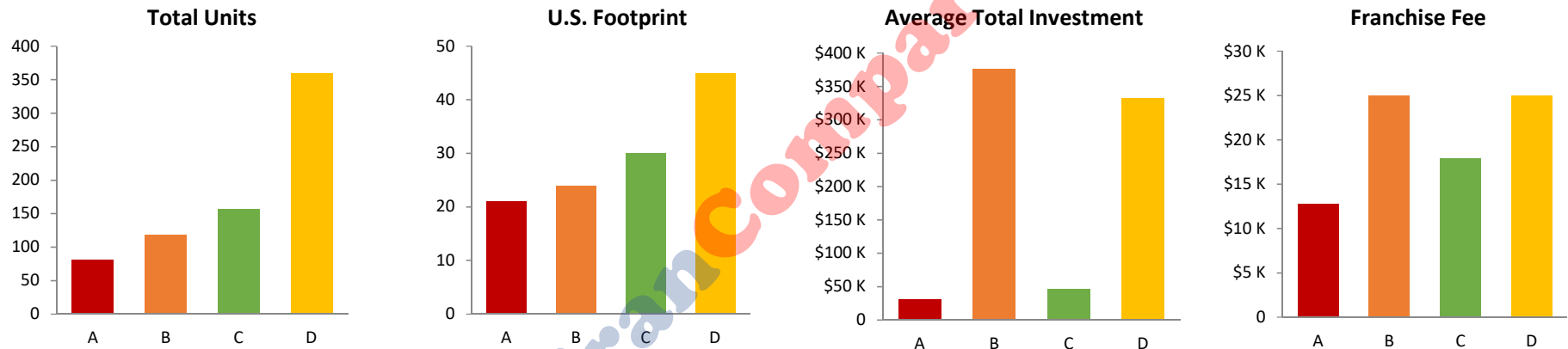
# FranCompare™ Franchise Recognition Program 2019

## Resale & Consignment Stores (Youth) Industry

	Company Name (DBA)	Legal Name	Final Score
A	Rhea Lana's	Rhea Lana's Franchise Systems, Inc.	797
B	Kid to Kid	Kid to Kid Franchise System, Inc.	747
C	Just Between Friends	Just Between Friends Franchise System, Inc.	736
D	Once Upon A Child	Winmark Corporation	706

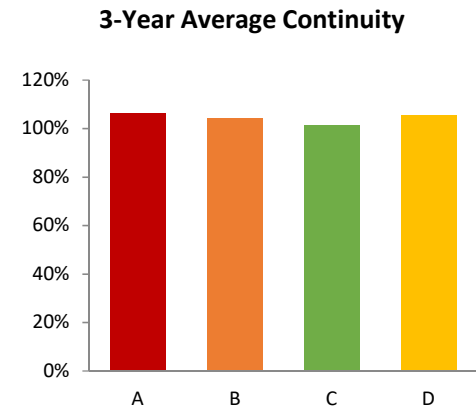
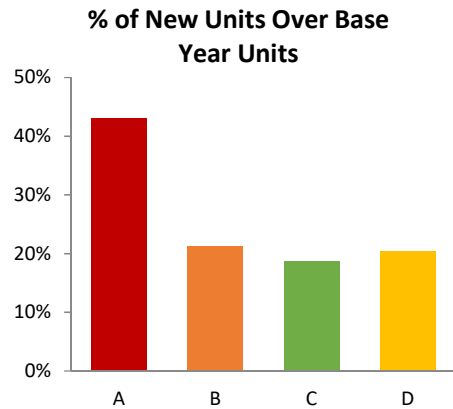
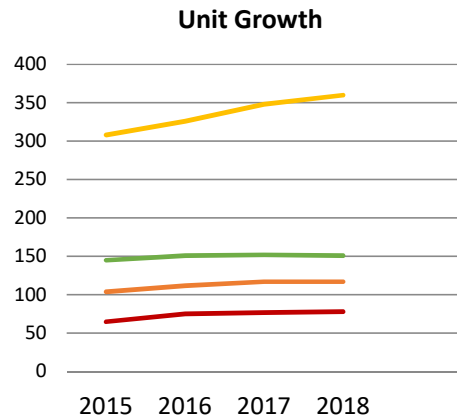
### Key Unit Investment Variables

30%



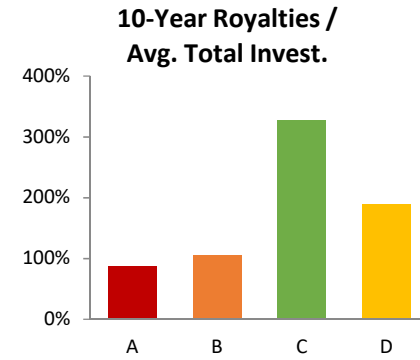
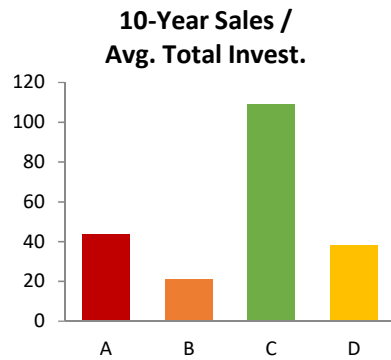
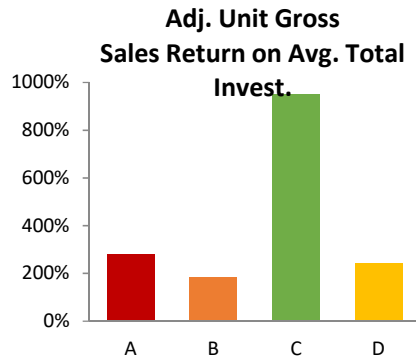
- **Total Units** is a valuable measure if recent growth was accompanied by proper support. Meteoric growth, however, with the help of third parties, frequently means franchisees are left to fend for themselves while management focuses on growth for its own sake.
- The greater the **Footprint/Geographical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

Weighting for Primary FDD Variables (300 Points)	Rhea Lana's		Kid to Kid		Just Between Friends		Once Upon A Child		Max. Score
	Data	Score	Data	Score	Data	Score	Data	Score	
Year-End Total Franchised Units	78		117		151		360		
Year-End Total Company-Owned Units	3		2		6		0		
<b>Year-End Total Units</b>	<b>81</b>	<b>35</b>	<b>119</b>	<b>40</b>	<b>157</b>	<b>45</b>	<b>360</b>	<b>50</b>	<b>50</b>
% of Franchised Units	96.3%		98.3%		96.2%		100.0%		
<b>% of Company-Owned Units</b>	<b>3.7%</b>	<b>7</b>	<b>1.7%</b>	<b>5</b>	<b>3.8%</b>	<b>7</b>	<b>0.0%</b>	<b>0</b>	<b>10</b>
<b>U.S. Footprint (# of U.S. States)</b>	<b>21</b>	<b>32</b>	<b>24</b>	<b>32</b>	<b>30</b>	<b>32</b>	<b>45</b>	<b>35</b>	<b>35</b>
Total Low Investment	\$20,550		\$280,942		\$38,555		\$268,500		
Total High Investment	\$39,950		\$471,442		\$54,575		\$396,900		
Average Total Investment Per Unit	\$30,250		\$376,192		\$46,565		\$332,700		
Low Unit Size Estimate (Square Feet)	4,000		4,000		No Data		3,700		
High Unit Size Estimate (Square Feet)	6,000		4,000		No Data		4,300		
Average Unit Size (Square Feet)	5,000		4,000		N/A		4,000		
Average Total Investment Per Square Feet	\$6		\$94		N/A		\$83		
<b>Average Franchise Fee (Single Unit)</b>	<b>\$12,750</b>	<b>40</b>	<b>\$25,000</b>	<b>33</b>	<b>\$17,900</b>	<b>38</b>	<b>\$25,000</b>	<b>33</b>	<b>40</b>
<b>Average Annual Royalty Fee (On-Going After Trial Period)</b>	<b>2.0%</b>	<b>90</b>	<b>5.0%</b>	<b>85</b>	<b>3.0%</b>	<b>90</b>	<b>5.0%</b>	<b>85</b>	<b>90</b>
<b>Term of Initial Contract (Years)</b>	<b>5</b>	<b>10</b>	<b>10</b>	<b>20</b>	<b>5</b>	<b>10</b>	<b>10</b>	<b>20</b>	<b>35</b>
<b>Term of First Contract Renewal (Years)</b>	<b>5</b>	<b>6</b>	<b>10</b>	<b>11</b>	<b>5</b>	<b>6</b>	<b>Additional 10 year periods</b>	<b>20</b>	<b>20</b>
<b>Average Transfer Fee (Single Unit)</b>	<b>\$4,463</b>	<b>10</b>	<b>\$10,000</b>	<b>8</b>	<b>\$5,000</b>	<b>10</b>	<b>\$10,000</b>	<b>8</b>	<b>10</b>
<b>Year Incorporated</b>	<b>1997</b>	<b>10</b>	<b>1992</b>	<b>10</b>	<b>1997</b>	<b>10</b>	<b>1988</b>	<b>10</b>	<b>10</b>
Franchising Since	2008		1994		2003		1993		
Issuance Date of FDD (Issue Date)	10/1/2018		3/15/2018		3/29/2018		3/15/2018		



- **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.

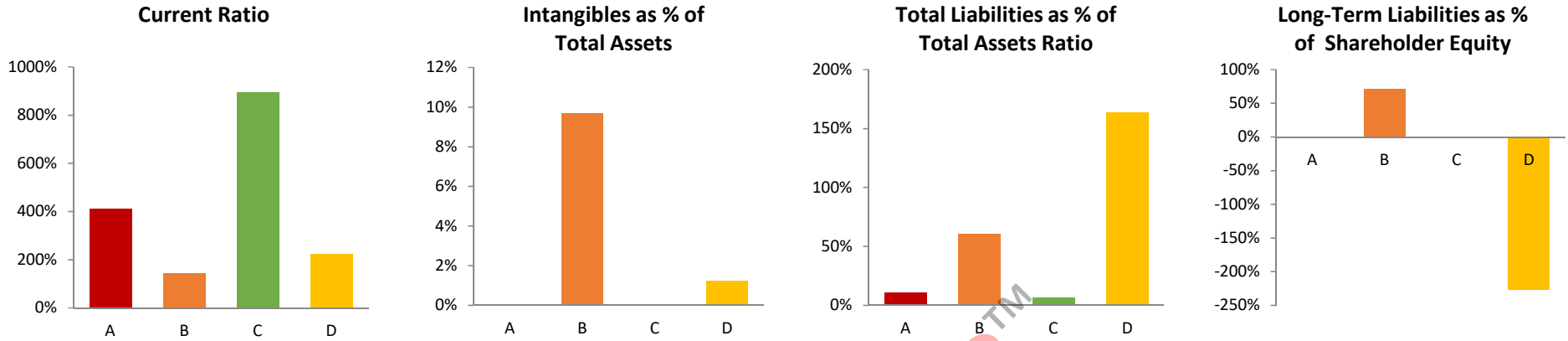
Weighting for Primary FDD Variables (250 Points)	Rhea Lana's		Kid to Kid		Just Between Friends		Once Upon A Child		Max. Score
	Data	Score	Data	Score	Data	Score	Data	Score	
Base-Year Beginning Franchised Units	65		104		145		308		
New Franchised Units Over Following 3 Years	28		22		27		63		
Total Franchised Units at the End of Year 3	78		117		151		360		
<b>% of New Units Over Base Year Units</b>	<b>43.1%</b>	<b>20</b>	<b>21.2%</b>	<b>10</b>	<b>18.6%</b>	<b>8</b>	<b>20.5%</b>	<b>10</b>	<b>40</b>
<b>3-Year Compound Annual Unit Growth</b>	<b>6.3%</b>	<b>25</b>	<b>4.0%</b>	<b>10</b>	<b>1.4%</b>	<b>10</b>	<b>5.3%</b>	<b>25</b>	<b>70</b>
<b>3-Year Average Continuity Rate</b>	<b>106.4%</b>	<b>115</b>	<b>104.1%</b>	<b>110</b>	<b>101.4%</b>	<b>105</b>	<b>105.3%</b>	<b>115</b>	<b>140</b>



- 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)	Rhea Lana's		Kid to Kid		Just Between Friends		Once Upon A Child		Max. Score
	Data	Score	Data	Score	Data	Score	Data	Score	
Company-Wide Average Gross Sales or Revenue	\$99,880		\$600,000		\$384,787		\$955,461		
Period Operated	Over 3 Years		Over 1 Year		Over 1 Year		Over 5 Years		
Calculation Based on # of Units Evaluated	74 of 78		88 of 117		107 of 151		321 of 360		
Calculation Based on Franchised or Company-Owned Units	Franchised		Franchised		Franchised		Franchised		
% Adjustment*	85%		115%		115%		85%		
Adjusted Average Gross Sales or Revenue	\$84,898		\$690,000		\$442,505		\$812,142		
<b>Adjusted Unit Gross Sales Return on Avg. Total Investment</b>	<b>280.7%</b>	<b>172</b>	<b>183.4%</b>	<b>150</b>	<b>950.3%</b>	<b>175</b>	<b>244.1%</b>	<b>165</b>	<b>175</b>
Cum.10-Year Gross Sales (Compounded at 5% Growth / Year)	\$1,319,097		\$7,924,076		\$5,081,799		\$12,618,570		
<b>10-Year Sales / Average Total Investment</b>	<b>43.6</b>	<b>75</b>	<b>21.1</b>	<b>55</b>	<b>109.1</b>	<b>75</b>	<b>37.9</b>	<b>75</b>	<b>75</b>
10-Year Total Royalty Payments	\$26,382		\$396,204		\$152,454		\$630,929		
<b>10-Year Royalties / Average Total Investment</b>	<b>87.2%</b>	<b>50</b>	<b>105.3%</b>	<b>45</b>	<b>327.4%</b>	<b>0</b>	<b>189.6%</b>	<b>11</b>	<b>50</b>
Detailed Income Statement (EBITDA All Units Optimal)	0%	0	90%	45	30%	15	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)	Rhea Lana's		Kid to Kid		Just Between Friends		Once Upon A Child		Max. Score
	Data	Score	Data	Score	Data	Score	Data	Score	
<b>Weighting for Primary FDD Variables (100 Points)</b>									
Ending Date for Financials (Closing Date on Balance Sheet)	12/31/2017		12/31/2017		12/31/2017		12/30/2017		
Current Assets	\$74		\$1,982		\$376		\$21,365		
Intangibles & Goodwill	\$0		\$418		\$0		\$608		
Other Assets	\$94		\$1,906		\$232		\$26,432		
Total Assets	\$168		\$4,306		\$608		\$48,405		
Current Liabilities	\$18		\$1,374		\$42		\$9,453		
Long-Team Liabilities	\$0		\$1,224		\$0		\$69,630		
Total Liabilities	\$18		\$2,598		\$42		\$79,083		
Shareholders' Equity	\$18		\$2,598		\$42		\$79,083		
Total Liabilities & Shareholders' Equity	\$150		\$1,708		\$566		-\$30,678		

Key Financial Ratio (%)s	Rhea Lana's		Kid to Kid		Just Between Friends		Once Upon A Child		
Weighting for Primary FDD Variables (100 Points)	Data	Score	Data	Score	Data	Score	Data	Score	Max. Score
Current Ratio (or Working Capital Ratio)	411.1%	25	144.3%	22	895.2%	25	226.0%	25	25
Intangibles & Goodwill as % of Total Assets	0.0%	20	9.7%	18	0.0%	20	1.3%	19	20
Total Liabilities as % of Total Assets Ratio	10.7%	35	60.3%	30	6.9%	35	163.4%	0	35
Long-Term Liabilities as % of Shareholders' Equity Ratio	0.0%	20	71.7%	8	0.0%	20	-227.0%	0	20

<b>Total Score</b>	<b>797</b>	<b>747</b>	<b>736</b>	<b>706</b>	<b>/1000</b>
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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](http://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.

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