



America's Grout and Tile Cleaning, Repair and Restoration Expert

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Franchised Units:	39	In Business Since:	1992	Royalty:	\$12K Avg.
Company-Owned Units:	<u>1</u>	Franchise Fee:	\$19.9K	IFA Member:	No
Total Operating Units:	40	Total Investment Range:	\$27.3-34.4K	Term of Initial Contract:	15 Years

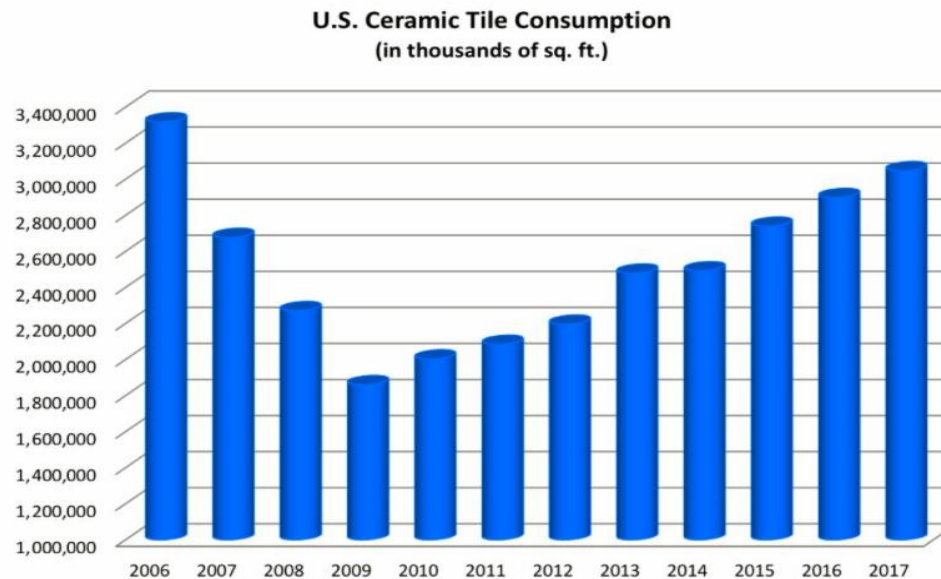
Grout-smith (grout' smith') n. **1.** The profession of restoring and repairing grouted tile floors and showers. **2.** A grout restoration and repair expert. **3.** A certification achieved by highly trained grout and tile technicians. **4.** A grout and tile professional.

The Groutsmith Mission

To provide the highest quality of tile and grout cleaning, restoration, repair and anti-slip services; to enable homeowners and business owners to enjoy and appreciate the beauty and functionality of their tile and grout surfaces.

The Industry

Over 3 billion square feet of new tile and grout was sold and installed in the United States in 2017. Restoration, repair, anti-slip and maintenance services will be needed on all of this new tile, as well as the billions of square feet of grout and tile already in place. This creates an opportunity for entrepreneurs to build a substantial business servicing this demand in both the residential and commercial markets.



The Groutsmith is the Industry leader and their franchise allows individuals and couples to have their own business providing needed grout and tile services, where the demand has been steadily increasing over the last several years. A business that allows them to provide these services at less cost, and produces a better end result than the competition. A very **affordable business** that can be started as a one man operation and grow into a multi-van operation. A business where you are trained and supported by people who have successfully operated this same business for over 25 years. And a business that allows the opportunity to build a **verifiable six figure annual income**.

The Groutsmith restoration processes are not difficult to learn or difficult to perform. Their restoration techniques and **their proprietary Goutsmith professional products** are what separates them from all other competition.

Groutsmith® franchisees are fully trained to become the grout and tile restoration expert in their own exclusive territory. They are fully trained to professionally restore grouted tile floors, showers, counters and walls. The Groutsmith has a process and product for each to insure professional results in less time and for less cost than anyone else.

Conclusion

The Groutsmith is the leader in the grout and tile restoration business and a premier opportunity in the Home Service Industry.



An Excellent Business Opportunity

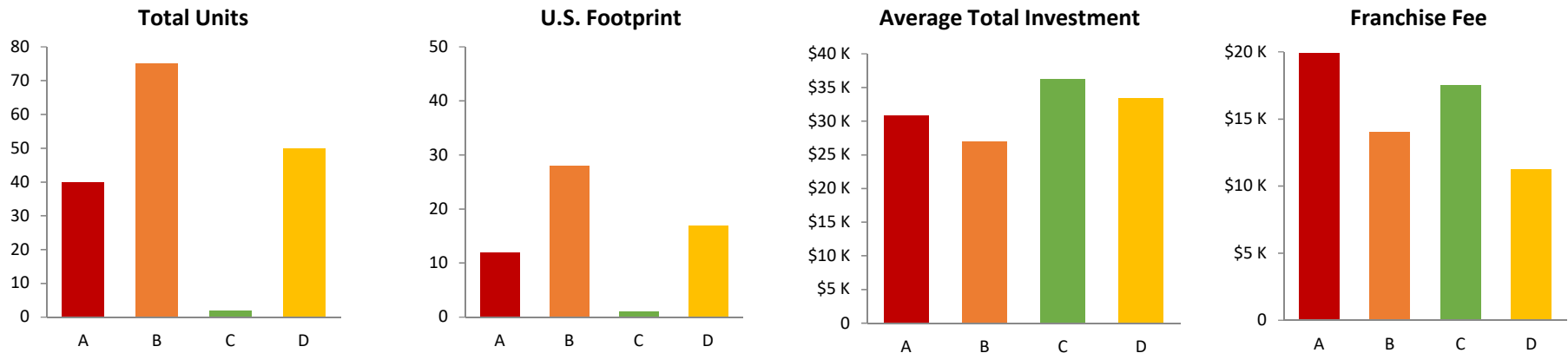


Grout Services Industry

	Company Name (DBA)	Legal Name	Final Score
A	The Groutsmith	Groutsmith Franchising, Inc.	798
B	The Grout Doctor	Grout Doctor Global Franchise Corp.	642
C	The Grout Expert	The Grout Expert Franchising, Inc.	641
D	The Grout Medic	The Grout Medic, LLC	415

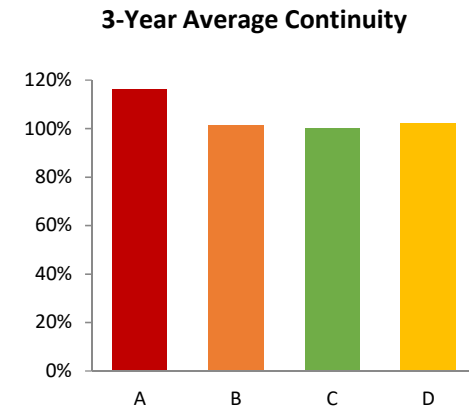
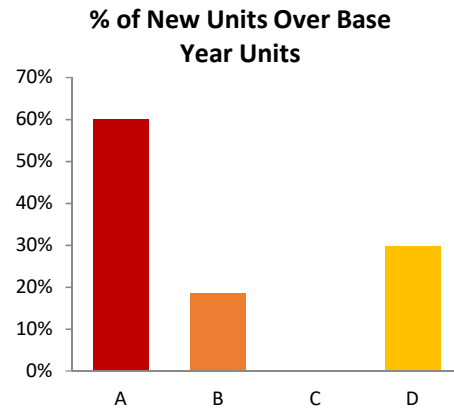
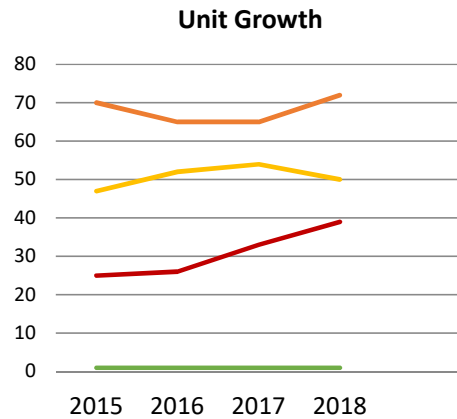
Key Unit Investment Variables

30%



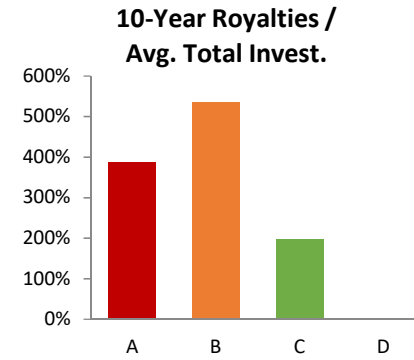
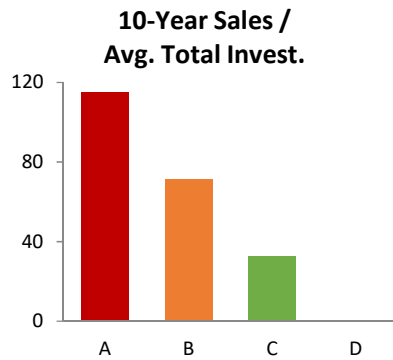
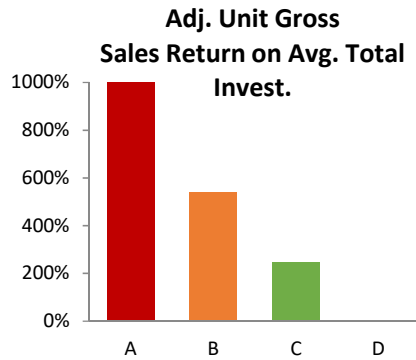
- **Total Units** is a valuable measure if recent growth was accompanied by proper support. Meteoric growth, however, with the help of third parties, frequently means franchisees are left to fend for themselves while management focuses on growth for its own sake.
- The greater the **Footprint/Geographical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

	The Groutsmith		The Grout Doctor		The Grout Expert		The Grout Medic		
Weighting for Primary FDD Variables (300 Points)	Data	Score	Data	Score	Data	Score	Data	Score	Max. Score
Year-End Total Franchised Units	39		72		1		50		
Year-End Total Company-Owned Units	1		3		1		0		
Year-End Total Units	40	25	75	30	2	4	50	25	50
% of Franchised Units	97.5%		96.0%		50.0%		100.0%		
% of Company-Owned Units	2.5%	5	4.0%	7	50.0%	7	0.0%	0	10
U.S. Footprint (# of U.S. States)	12	26	28	32	1	2	17	26	35
Total Low Investment	\$27,300		\$20,435		\$23,550		\$20,000		
Total High Investment	\$34,400		\$33,445		\$49,000		\$47,000		
Average Total Investment Per Unit	\$30,850		\$26,940		\$36,275		\$33,500		
Low Territory Size Estimate (Households)	125,000		150,000		150,000		175,000		
High Territory Size Estimate (Households)	125,000		200,000		150,000		175,000		
Average Territory Size (Households)	125,000		175,000		150,000		175,000		
Average Total Investment Per Household	\$0.25		\$0.15		\$0.24		\$0.19		
Average Franchise Fee (Single Unit)	\$19,900	37	\$14,000	39	\$17,500	38	\$11,275	40	40
Average Annual Royalty Fee (On-Going After Trial Period)	4.5%	88	7.5%	50	6.0%	80	7.5%	50	90
Term of Initial Contract (Years)	15	30	7	15	10	20	10	20	35
Term of First Contract Renewal (Years)	15	17	7+7	14	10	11	10+10	20	20
Average Transfer Fee (Single Unit)	\$5,000	10	\$2,000	10	\$4,375	10	\$5,000	10	10
Year Incorporated	1992	10	1992	10	1999	10	2001	9	10
Franchising Since	2010		2001		2010		2004		
Issuance Date of FDD (Issue Date)	1/21/2018		3/23/2018		3/15/2018		2/23/2018		



- **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.

	The Groutsmith		The Grout Doctor		The Grout Expert		The Grout Medic		
Weighting for Primary FDD Variables (250 Points)	Data	Score	Data	Score	Data	Score	Data	Score	Max. Score
Base-Year Beginning Franchised Units	25		70		1		47		
New Franchised Units Over Following 3 Years	15		13		0		14		
Total Franchised Units at the End of Year 3	39		72		1		50		
% of New Units Over Base Year Units	60.0%	30	18.6%	8	0.0%	0	29.8%	13	40
3-Year Compound Annual Unit Growth	16.0%	35	0.9%	10	0.0%	10	2.1%	10	70
3-Year Average Continuity Rate	116.4%	135	101.2%	105	100.0%	100	102.4%	105	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.

	The Groutsmith		The Grout Doctor		The Grout Expert		The Grout Medic		
Weighting for Primary FDD Variables (350 Points)	Data	Score	Data	Score	Data	Score	Data	Score	Max. Score
Company-Wide Average Gross Sales or Revenue	\$268,240		\$145,884		\$90,000		No Item 19		
Period Operated	At Least 1 Year		Over 2 Years		Projection		No Item 19		
Calculation Based on # of Units Evaluated	24 of 33		56 of 72		1 of 1		No Item 19		
Calculation Based on Franchised or Company-Owned Units	Franchised		Franchised		Co.-Owned		No Item 19		
% Adjustment*	115%		100%		100%		No Item 19		
Adjusted Average Gross Sales or Revenue	\$308,476		\$145,884		\$90,000		No Item 19		
Adjusted Unit Gross Sales Return on Avg. Total Investment	999.9%	175	541.5%	175	248.1%	165	No Item 19	0	175
Cum.10-Year Gross Sales (Compounded at 5% Growth / Year)	\$3,542,589		\$1,926,659		\$1,188,611		No Item 19		
10-Year Sales / Average Total Investment	114.8	75	71.5	75	32.8	75	No Item 19	0	75
10-Year Total Royalty Payments	\$120,000		\$144,499		\$71,317		No Item 19		
10-Year Royalties / Average Total Investment	389.0%	0	536.4%	0	196.6%	9	No Item 19	0	50
Detailed Income Statement (EBITDA All Units Optimal)	0%	0	0%	0	0%	0	No Item 19	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)	The Groutsmith		The Grout Doctor		The Grout Expert		The Grout Medic		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)	12/31/2018		12/31/2017		12/31/2017		12/31/2017		
Current Assets	\$226		\$172		\$13		\$123		
Intangibles & Goodwill	\$0		\$400		\$0		\$0		
Other Assets	\$0		\$32		\$0		\$0		
Total Assets	\$226		\$604		\$13		\$123		
Current Liabilities	\$0		\$133		\$0		\$86		
Long-Team Liabilities	\$0		\$202		\$0		\$0		
Total Liabilities	\$0		\$334		\$0		\$86		
Shareholders' Equity	\$226		\$270		\$13		\$37		
Total Liabilities & Shareholders' Equity	\$226		\$604		\$13		\$123		

Key Financial Ratio (%)s	The Groutsmith		The Grout Doctor		The Grout Expert		The Grout Medic		Max. Score
	Data	Score	Data	Score	Data	Score	Data	Score	
Weighting for Primary FDD Variables (100 Points)									
Current Ratio (or Working Capital Ratio)	N/A	25	129.3%	22	N/A	25	143.0%	22	25
Intangibles & Goodwill as % of Total Assets	0.0%	20	66.2%	2	0.0%	20	0.0%	20	20
Total Liabilities as % of Total Assets Ratio	0.2%	35	55.3%	30	0.0%	35	69.9%	25	35
Long-Term Liabilities as % of Shareholders' Equity Ratio	0.0%	20	74.8%	8	0.0%	20	0.0%	20	20

Total Score	798	642	641	415	/1000
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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.

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