

## **ITEM 19 FINANCIAL PERFORMANCE REPRESENTATIONS**

The FTC's Franchise Rule permits a franchisor to provide information about the actual or potential financial performance of its franchised and/or franchisor-owned outlets, if there is a reasonable basis for the information, and if the information is included in the Disclosure Document. Financial performance information that differs from that included in **Item 19** may be given only if: (1) a franchisor provides the actual records of an existing outlet you are considering buying; or (2) a franchisor supplements the information provided in this **Item 19**, for example, by providing information about possible performance at a location or under circumstances.

This is a historic financial performance representation. The representation only relates to the subset of Outlets identified below and does not relate to the performance of all the System's existing Outlets.

### **The 134 Franchised Outlets Included in the Representations Displayed in Tables A, B & C:**

As of December 31, 2017, there were 145 franchised RETROFITNESS® Outlets open and in operation (each, a "Franchised Outlet"). Of those 145 Franchised Outlets, 134 were open to the public for the entire period commencing on January 1, 2017 and ending on December 31, 2017. All 134 of these Franchised Outlets were included in the results displayed in Tables A, B and C below (the "ABC Outlets").

### **The 99 Franchised Outlets Included in the Representations Displayed in Tables D, E, F & G:**

There were 121 Franchised Outlets that were officially open to the public and in operation for the entire 2016 calendar year (not including Outlets in pre-sales during this period). Of these 121 Franchised Outlets, 22 were excluded (the "Excluded Clubs") from the results displayed in Tables D, E, F & G for the following reasons: (a) 2 were excluded because they did not send in their 2016 tax returns; (b) 3 were excluded because they had not yet filed their 2016 tax returns; and (c) 17 were excluded because they were sold prior to the date on which we required submission of the 2016 tax returns and the former owners did not submit copies of their 2016 tax returns. Information from the tax returns provided for the remaining 99 Franchised Outlets (the "DEFG Outlets") was used to determine the results presented in Tables D, E, F, and G, which reflect EBITDA, Rent as a Percentage of EBITDA, and Payroll as a percentage of EBITDA.

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**TABLE A**

**Average Gross Sales of ABC Outlets Reported to ABC Financial  
From April 1, 2017 to March 31, 2018**

| <b>Average Gross Sales</b> | <b>Percentile</b> | <b>Number of ABC Clubs in the Stated Percentile</b> | <b>Number of ABC Clubs in the Percentile that Attained or Exceeded the Average Gross Sales</b> | <b>Percentage of ABC Clubs in Percentile that Attained or Exceeded the Average Gross Sales</b> |
|----------------------------|-------------------|---|--|--|
| \$2,197,482                | Top 10%           | 13  | 4  | 30%  |
| \$1,774,973                | Top 25%           | 34  | 12   | 36%  |
| \$1,475,714                | Top 50%           | 67  | 23   | 34%  |
| \$1,282,474                | Top 75%           | 101   | 40   | 40%  |
| \$1,119,638                | 100%              | 134   | 54   | 40%  |

**TABLE B**

**Average Revenue Per Square Foot for the ABC Outlets as Reported to ABC Financial  
From April 1, 2017 to March 31, 2018**

| <b>Average Revenue Per Square Foot</b> | <b>Percentile</b> | <b>Number of ABC Clubs in the Stated Percentile</b> | <b>Number of ABC Clubs in the Percentile that Attained or Exceeded the Average Revenue Per Square Foot</b> | <b>Percentage of ABC Clubs in Percentile that Attained or Exceeded the Average Revenue Per Square Foot</b> |
|--|-------------------|---|--|--|
| \$140.18                               | Top 10%           | 13  | 6  | 45%  |
| \$116.70                               | Top 25%           | 34  | 15   | 45%  |
| \$98.95                                | Top 50%           | 67  | 23   | 34%  |
| \$85.89                                | Top 75%           | 101   | 43   | 43%  |
| \$74.86                                | 100%              | 134   | 61   | 46%  |

**TABLE C**

**Average Membership of ABC Outlets  
as of March 31, 2018**

| <b>Average Number of Members</b> | <b>Top Percentile</b> | <b>Number of ABC Clubs in the Stated Percentile</b> | <b>Number of ABC Clubs in the Percentile that Attained or Exceeded the Average Number of Members</b> | <b>Percentage of ABC Clubs in Percentile that Attained or Exceeded the Average Number of Members</b> |
|----------------------------------|-----------------------|---|--|--|
| 5,802                            | Top 10%               | 13  | 4  | 30%  |
| 4,790                            | Top 25%               | 34  | 15   | 45%  |
| 3,974                            | Top 50%               | 67  | 23   | 34%  |
| 3,479                            | Top 75%               | 101   | 37   | 37%  |
| 3,029                            | 100%                  | 134   | 56   | 42%  |

**NOTES TO TABLES A, B & C**

**Notes to Table A**

The highest Gross Sales figure for the top 10% of the ABC Outlets is \$3,290,251, the lowest Gross Sales figure in this range is \$1,740,106, and the median is \$1,917,175. The corresponding bottom 10% of the ABC Outlets averaged \$457,132 in Gross Sales. The highest Gross Sales figure for the bottom 10% is \$565,266, the lowest Gross Sales figure is \$281,371, and the median is \$471,610. Thirty-seven percent of the bottom 10%, or 5 Outlets, fell below the average of \$457,132.

The highest Gross Sales figure for the top 25% of the ABC Outlets is \$3,290,251, the lowest Gross Sales figure in this range is \$1,341,167, and the median is \$1,661,908. The corresponding bottom 25% of the ABC Outlets, consisting of 15 of the ABC Outlets, averaged \$586,823 in Gross Sales. The highest Gross Sales figure for the bottom 25% of the ABC Outlets is \$997,104, the lowest Gross Sales figure is \$281,371, and the median is \$626,956. Forty-five percent of the bottom 25% of the ABC Outlets, or 15 Outlets, fell below the average of \$586,823.

The highest Gross Sales figure used to calculate the Average Gross Sales for the top 50% of the ABC Outlets is \$3,290,251, the lowest Gross Sales figure in this range is \$1,008,198, and the median is \$1,341,167. The corresponding bottom 50% of the ABC Outlets averaged \$734,876 in Gross Sales. The highest Gross Sales figure used to calculate the Average Gross Sales for the bottom 50% of the ABC Outlets is \$748,449, the lowest Gross Sales figure in this range is \$281,371, and the median is \$748,449. Forty-six percent of these ABC Outlets, or 31 Outlets, fell below the average of \$734,876.

The highest Gross Sales figure used to calculate the Average Gross Sales for the top 75% of the ABC Outlets is \$3,290,251, the lowest Gross Sales figure in this range is \$748,449, and the median is

\$1,122,815. The corresponding bottom 75% of the ABC Outlets averaged \$874,471 in Gross. The highest Gross Sales figure used to calculate the Average Gross Sales for the bottom 75% of the ABC Outlets is \$1,341,167, the lowest Gross Sales figure in this range is \$281,371, and the median is \$878,206. Forty-six percent of these ABC Outlets, or 50 Outlets, fell below the average of \$734,876.

The highest Gross Sales figure used to calculate the Average Gross Sales for 100% of the ABC Outlets is \$3,290,251, the lowest Gross Sales figure in this range is \$281,371, and the median is \$1,002,651.

### **Notes to Table B**

The highest revenue per square foot figure used to calculate the average for the top 10% of the ABC Outlets is \$190.28, the lowest figure in this range is \$121.86, and the median is \$139.33. The corresponding bottom 10% of the ABC Outlets averaged \$34.32 per square. The highest figure in the range is \$42.20, the lowest figure in the range is \$18.03 and the median is \$33.77. Fifty-two percent of these ABC Outlets, or 7 Outlets, fell below the average of \$34.32.

The highest revenue per square foot figure used to calculate the average for the top 25% of the ABC Outlets is \$190.28, the lowest figure in this range is \$91.06, and the median is \$109.13. The corresponding bottom 25% of the ABC Outlets averaged \$43.02 per square foot. The highest figure in the range is \$53.42, the lowest figure in the range is \$18.03 and the median is \$45.54. Thirty-nine percent of these ABC Outlets, or 13 Outlets, fell below the average of \$43.02.

The highest revenue per square foot figure used to calculate the average for the top 50% of the ABC Outlets is \$190.28, the lowest figure in this range is \$69.82, and the median is \$91.06. The corresponding bottom 50% of the ABC Outlets averaged \$51.82 per square foot. The highest figure in the range is \$68.82, the lowest figure in the range is \$18.03 and the median is \$53.42. Forty-two percent of these ABC Outlets, or 28 Outlets, fell below the average of \$51.82.

The highest revenue per square foot figure used to calculate the average for the top 75% of the ABC Outlets is \$190.28, the lowest figure in this range is \$53.42, and the median is \$82.03. The corresponding bottom 75% of the ABC Outlets averaged \$61.55 per square foot. The highest figure in the range is \$91.06, the lowest figure in the range is \$18.03 and the median is \$61.32. Fifty-two percent of these ABC Outlets, or 52 Outlets, fell below the average of \$61.55.

The highest revenue per square foot figure used to calculate the average for 100% of the ABC Outlets is \$190.28, the lowest figure in this range is \$18.03, and the median is \$69.33.

### **Notes to Table C**

The highest number of members figure used to calculate the average for the top 10% of the ABC Outlets is 7,582, the lowest figure in this range is 4,854, and the median is 5,331. The corresponding bottom 10% of the ABC Outlets averaged 1,270 members. The highest figure in the range is 1,600, the lowest figure in the range is 841, and the median was 1,245. Sixty percent of these ABC Outlets, or 8 Outlets, fell below the average of 1,270.

The highest number of members figure used to calculate the average for the top 25% of the ABC Outlets is 7,582, the lowest figure in this range is 3,704, and the median is 4,611. The corresponding bottom 25% of the ABC Outlets averaged 1,669 members, with the highest membership of 2,156 members, a low of 841 members, and a median of 1,783 members. Forty-two percent of these ABC Outlets, or 14 Outlets, fell below the average of 1,669.

The highest number of members figure used to calculate the average for the top 50% of the ABC Outlets is 7,582, the lowest figure in this range is 2,878, and the median is 3,704. The corresponding bottom 50% of the ABC Outlets averaged 2,073 members, with the highest membership of 2,847 members, a low of 841 members, and a median of 2,156 members. Forty-three percent of these ABC Outlets, or 29 Outlets, fell below the average of 2,073.

The highest number of members figure used to calculate the average for the top 75% of the ABC Outlets is 7,582, the lowest figure in this range is 2,156, and the median is 3,076. The corresponding bottom 75% of the ABC Outlets averaged 2,443 members, with the highest membership of 3,704 members, a low of 841 members, and a median of 2,486 members. Forty-five percent of these ABC Outlets, or 45 Outlets, fell below the average of 2,443.

The highest number of members figure used to calculate the average for 100% of the ABC Outlets is 7,582, the lowest figure in this range is 841, and the median is 2,871.

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**TABLE D**

**Average Earnings Before Interest, Taxes, Depreciation, and Amortization (“EBITDA\*\*”) of the  
DEFG Outlets  
From 2016 Federal Tax Returns**

| <b>Average EBITDA*<br/>(in dollars)<br/>Reported by the<br/>DEFG Clubs in<br/>2016 Federal Tax<br/>Returns</b> | <b>Percentile</b> | <b>Number of DEFG<br/>Outlets in<br/>Percentile</b> | <b>Number of DEFG<br/>Outlets that<br/>Achieved or<br/>Exceeded the<br/>Stated Average<br/>EBITDA</b> | <b>Percentage of<br/>DEFG Outlets in<br/>Percentile that<br/>Achieved or<br/>Exceeded the<br/>Stated Average<br/>EBITDA</b> |
|--|-------------------|---|---|---|
| \$628,203  | Top 10%           | 10  | 3   | 30%   |
| \$473,27   | Top 25%           | 25  | 6   | 24%   |
| \$348,970  | Top 50%           | 50  | 19  | 38%   |
| \$282,532  | Top 75%           | 74  | 27  | 36%   |
| \$212,545  | 100%              | 99  | 44  | 44%   |

**TABLE E**

**Average Earnings Before Interest, Taxes, Depreciation, and Amortization (“EBITDA\*\*”) Percentage for DEFG Outlets  
From 2016 Federal Tax Returns**

| <b>Average EBITDA*<br/>(as a percentage of<br/>total earnings)<br/>Reported by<br/>DEFG Outlets in<br/>2016 Federal Tax<br/>Returns</b> | <b>Percentile</b> | <b>Number of DEFG<br/>Outlets in<br/>Percentile</b> | <b>Number of DEFG<br/>Outlets in<br/>Percentile that<br/>Achieved or<br/>Exceeded the<br/>Average EBITDA<br/>(as a percentage of<br/>total yearnings)</b> | <b>Percentage of<br/>DEFG Outlets in<br/>Percentile that<br/>Achieved or<br/>Exceeded the<br/>Average EBITDA<br/>(as a percentage of<br/>total yearnings)</b> |
|---|-------------------|---|---|---|
| 37%   | Top 10%           | 10  | 3   | 30%   |
| 31%   | Top 25%           | 25  | 7   | 28%   |
| 26%   | Top 50%           | 50  | 17  | 34%   |
| 23%   | Top 75%           | 74  | 25  | 34%   |
| 19%   | 100%              | 99  | 41  | 41%   |

**TABLE F**

**Average Payroll Expenses of DEFG Outlets  
From 2016 Federal Tax Returns**

| <b>Column 1:<br/>Total<br/>Number of<br/>DEFG<br/>Outlets</b> | <b>Column 2:<br/>Average<br/>Payroll<br/>Expense</b> | <b>Column 3: Number &amp;<br/>Percentage of DEFG<br/>Outlets whose Payroll<br/>Expenses Equaled or<br/>Exceeded the Results<br/>Stated in Column 2</b> | <b>Column 4:<br/>Average Payroll<br/>as a Percentage of<br/>Gross Sales</b> | <b>Column 5: Number &amp;<br/>Percentage of DEFG<br/>Outlets whose Payroll<br/>Expenses Equaled or<br/>Exceeded the Results<br/>Stated in Column 4</b> |
|---|--|--|---|--|
| 99  | \$260,642  | 48 or 48%  | 23%   | 48 or 48%  |

**TABLE G**

**Average Rent Expenses of DEFG Outlets  
From 2016 Federal Tax Returns**

| <b>Column 1: Total<br/>Number of DEFG<br/>Outlets</b> | <b>Column 2:<br/>Average Rent<br/>Expense</b> | <b>Column 3:<br/>Number &amp;<br/>Percentage of<br/>DEFG Outlets<br/>whose Rent<br/>Expenses Equaled<br/>or Exceeded the<br/>Results Stated in<br/>Column 2</b> | <b>Column 4:<br/>Average Rent as a<br/>Percentage of<br/>Gross Sales</b> | <b>Column 5:<br/>Number &amp;<br/>Percentage of<br/>DEFG Outlets<br/>whose Rent<br/>Expenses Equaled<br/>or Exceeded the<br/>Results Stated in<br/>Column 4</b> |
|---|---|---|--|---|
| 99  | \$243,120                                     | 43 or 43%   | 21%  | 47 or 47%   |

**Notes to Tables D, E, F & G**

**Notes to Table D**

The highest of the EBITDA figures used to calculate the average for the top 10% of the DEFG Outlets is \$1,517,298, the lowest figure in this range is \$431,810, and the median is 490,277. The corresponding bottom 10% of the DEFG Outlets averaged (\$58,370) in EBITDA. The highest figure in the range is (\$1,126) the lowest figure in the range is (\$266,287), and the median is (\$37,137). Thirty percent of these DEFG Outlets, or 3 Outlets, fell below the average of (\$58,370).

The highest of the EBITDA figures used to calculate the average for the top 25% of the DEFG Outlets is \$1,517,298, the lowest figure in this range is \$291,680, and the median is 389,309. The corresponding bottom 25% of the DEFG Outlets averaged \$5,381 in EBITDA. The highest figure in the range is \$94,673 the lowest figure in the range is (\$266,287), and the median is \$25,072. Forty percent of these DEFG Outlets, or 10 Outlets, fell below the average of \$5,381.

The highest of the EBITDA figures used to calculate the average for the top 50% of the DEFG Outlets is \$1,517,298, the lowest figure in this range is \$188,550, and the median is \$289,624. The corresponding bottom 50% of the DEFG Outlets averaged \$75,639 in EBITDA. The highest figure in the range is \$188,550 the lowest figure in the range is (\$266,287), and the median is \$97,688. Forty-six percent of these DEFG Outlets, or 23 Outlets, fell below the average of \$75,639.

The highest of the EBITDA figures used to calculate the average for the top 75% of the DEFG Outlets is \$1,517,298, the lowest figure in this range is \$100,703, and the median is \$226,069. The corresponding bottom 75% of the DEFG Outlets averaged \$126,914 in EBITDA. The highest figure in the range is \$287,567 the lowest figure in the range is (\$266,287), and the median is \$148,997. Forty-four percent of these DEFG Outlets, or 33 Outlets, fell below the average of \$126,914.

The highest number of members figure used to calculate the average for 100% of the DEFG Outlets is 1,517,298, the lowest figure in this range is (\$266,287), and the median is 188,550.

#### **Notes to Table E**

The highest of the EBITDA percentage figures used to calculate the average for the top 10% of the DEFG Outlets is 43%, the lowest figure in this range is 30%, and the median is 34%. The corresponding bottom 10% of the DEFG Outlets averaged (8%) in EBITDA percentage. The highest figure in the range is 0% the lowest figure in the range is (36%) and the median is (4%). Thirty percent of these DEFG Outlets, or 3 Outlets, fell below the average of (8%).

The highest of the EBITDA percentage figures used to calculate the average for the top 25% of the DEFG Outlets is 43%, the lowest figure in this range is 24%, and the median is 28%. The corresponding bottom 25% of the DEFG Outlets averaged 1% in EBITDA percentage. The highest figure in the range is 10% the lowest figure in the range is (36) %, and the median is 3%. Forty percent of these DEFG Outlets, or 10 Outlets, fell below the average of 1%.

The highest of the EBITDA percentage figures used to calculate the average for the top 50% of the DEFG Outlets is 43%, the lowest figure in this range is 18%, and the median is 24%. The corresponding bottom 50% of the DEFG Outlets averaged 9% in EBITDA percentage. The highest figure in the range is 18% the lowest figure in the range is (36%), and the median is 10%. Forty-four percent of these DEFG Outlets, or 22 Outlets, fell below the average of 9%.

The highest of the EBITDA percentage figures used to calculate the average for the top 75% of the DEFG Outlets is 43%, the lowest figure in this range is 10%, and the median is 21%. The corresponding bottom 75% of the DEFG Outlets averaged 13% in EBITDA percentage. The highest figure in the range is 23%, the lowest figure in the range is (36%), and the median is 15%. Forty percent of these DEFG Outlets, or 30 Outlets, fell below the average of 13%.

The highest percentage figure used to calculate the average for 100% of the DEFG Outlets is 43%, the lowest figure in this range is (36%), and the median is 18%.

#### **Notes to Table F**

The highest of the payroll figures used to calculate the average is \$770,543, the lowest figure in this range is \$33,996, and the median is \$256,982. The highest of the payroll figures used to calculate the average

payroll as a percentage of Gross Sales is 48%, the lowest figure in this range is 4% and the median is 23%.

### **Notes to Table G**

Two of the DEFG Outlets reported zero dollars in rent for the entire 2016 calendar year. The highest of the rent figures used to calculate the average is \$638,567, the lowest figure in this range is \$0, and the median is \$237,193. The highest of the rent figures used to calculate the average rent as a percentage of Gross Sales is 50%, the lowest figure in this range is 0% and the median is 21%.

### **A new franchisee's individual financial results may differ from the results stated in the financial performance representation.**

All information reported in this Item 19 pertains to franchisee-owned Retrofitness Outlets and reflects the membership, sales numbers, rent expenses, payroll expenses, and EBITDA reported by Franchisees. Retrofitness franchisees are required to report sales and membership data to ABC Financial. Retrofitness franchisees are required to provide us with a copy of their federal tax returns, which contains their payroll expenses, rent expenses, and EBITDA. As such, the figures above are derived from reports generated from computer data reported to ABC Financial by Retrofitness franchisees, maintained by ABC Financial, and reported to Retrofitness, and data as reported by franchisees to Retrofitness in the franchisees' 2016 federal tax returns. We have undertaken no independent investigation to verify the amounts reported to us.

\*The EBITDA figures displayed and used in Tables D, E, F and G were calculated as follows: For each of the 99 tax returns included in the study, we took the net profit or loss figure disclosed in each return, and added back to that figure the following categories of expenses to determine EBITDA: (a) depreciation, (b) amortization, (c) interest, (d) guaranteed payments / payments to owners, and (e) expenses listed under "Taxes and Licenses". If the tax return provided a scheduled break down of "Taxes and Licenses," the only expenses added back to the net profit or loss figure for this category included itemized expenses for corporate tax and tax items other than payroll taxes, licenses and sales tax.

The financial performance representations do not reflect any other specific costs or expenses that must be deducted from the gross revenue or gross sales figures to obtain your net income or profit. You should conduct an independent investigation of the costs and expenses you will incur in operating your RETROFITNESS<sup>®</sup> Outlet. Franchisees or former franchisees, listed in the Disclosure Document, may be one source of this information.

### **Assumptions**

Several of the franchisees whose performance information is included in this Item 19 have a five (5) mile Approved Territory. You will not be granted a territory that exceeds a 3-mile drivable distance from your approved site. Accordingly, the results achieved by these franchisees may not be typical for those in your area.

The sales volume attainable by each franchisee depends on many factors, including geographic differences, competition within the immediate market area, the quality and service provided to customers by the franchisee and the size of the franchised location, as well as its own marketing and sales efforts. There is no assurance that future sales and/or expenses will correspond to historical sales and expenses.

Written substantiation for the financial performance representation will be made available to the prospective franchisee upon reasonable request.

***The reported results were only achieved by the Franchised Outlets included in our study. Your individual results may differ. There is no assurance you will sell as much or that your costs and expenses will not exceed those provided in this Item.***

You are strongly advised to conduct, with the assistance of an accountant, an independent investigation of the costs and expenses you will incur in operating your Franchised Outlet. You and your accountant should build a business plan for the opportunity you are pursuing, considering such independent information as may be available at the time. While we are not able to review or comment on your plan, the plan should help you in making your investment decision, and in getting underway if you enter our system. The first years of operations may be the most challenging. There are numerous factors that affect a Franchised Outlet's sales and costs.

Other than the preceding financial performance representation, we do not make any financial performance representations. We also do not authorize our employees or representatives to make such representations either orally or in writing. If you are purchasing an existing outlet, however, we may provide you with the actual records of that outlet. If you receive any other financial performance information or projections of your future income, you should report it to the franchisor's management by contacting our Chief Financial Officer, Robert Sprechman, Retrofitness, LLC, 182 Route 537, Colts Neck, NJ 07722, the Federal Trade Commission, and the appropriate state regulatory agencies.