

## **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 particular location or under particular 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 of the System's existing Outlets.

### **The 138 Franchised Outlets Included in the Representations Displayed in Tables A, B & C:**

As of December 31, 2018, there were 147 franchised RETROFITNESS® Outlets open and in operation (each, a "Franchised Outlet"). Of those 147 Franchised Outlets, 138 were open to the public for the entire period commencing on January 1, 2018 and ending on December 31, 2018. All 138 of these Franchised Outlets were included in the results displayed in Tables A, B and C below (the "ABC Outlets").

### **The 98 Franchised Outlets Included in the Representations Displayed in Tables D, E, F & G:**

There were 133 Franchised Outlets that were officially open to the public and in operation for the entire 2017 calendar year (not including Outlets in pre-sales during this period). Of these 133 Franchised Outlets, 35 were excluded (the "Excluded Clubs") from the results displayed in Tables D, E, F & G for the following reasons: (a) 9 were excluded because they combined locations onto one tax return; (b) 4 were excluded because they did not send in their 2017 tax returns; (c) 21 were excluded because they were sold or closed prior to the date on which we required submission of the 2017 tax returns and the former owners did not submit copies of their 2017 tax returns; and (d) 1 was excluded because their tax return wasn't on a calendar year basis. Information from the tax returns provided for the remaining 98 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 March 1, 2018 to February 28, 2019**

<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>
\$2,211,967	Top 10%	14	6	43%
\$1,754,135	Top 25%	35	14	41%
\$1,435,826	Top 50%	69	24	35%
\$1,237,031	Top 75%	104	35	34%
\$1,066,524	100%	138	57	41%

**TABLE B**

**Average Revenue Per Square Foot for the ABC Outlets as Reported to ABC Financial  
From March 1, 2018 to February 28, 2019**

<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>
\$142	Top 10%	14	7	51%
\$115	Top 25%	35	13	38%
\$95	Top 50%	69	25	36%
\$83	Top 75%	104	39	38%
\$72	100%	138	60	43%

**TABLE C**

**Average Membership of ABC Outlets  
as of February 28, 2019**

<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>
5,605	Top 10%	14	5	36%
4,564	Top 25%	35	12	35%
3,785	Top 50%	69	25	36%
3,302	Top 75%	104	34	33%
2,868	100%	138	59	43%

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

**Notes to Table A**

The highest Gross Sales figure for the top 10% of the ABC Outlets is \$3,092,692, the lowest Gross Sales figure in this range is \$1,757,093, and the median is \$1,944,487. The corresponding bottom 10% of the ABC Outlets averaged \$434,821 in Gross Sales. The highest Gross Sales figure for the bottom 10% is \$525,453, the lowest Gross Sales figure is \$259,482, and the median is \$456,521. Forty-three percent of the bottom 10%, or 6 Outlets, fell below the average of \$434,821.

The highest Gross Sales figure for the top 25% of the ABC Outlets is \$3,092,692, the lowest Gross Sales figure in this range is \$1,247,487, and the median is \$1,656,550. The corresponding bottom 25% of the ABC Outlets, consisting of 35 of the ABC Outlets, averaged \$550,004 in Gross Sales. The highest Gross Sales figure for the bottom 25% of the ABC Outlets is \$721,010, the lowest Gross Sales figure is \$259,482, and the median is \$561,504. Forty-three percent of the bottom 25% of the ABC Outlets, or 15 Outlets, fell below the average of \$550,004.

The highest Gross Sales figure used to calculate the Average Gross Sales for the top 50% of the ABC Outlets is \$3,092,692, the lowest Gross Sales figure in this range is \$996,546, and the median is \$1,247,487. The corresponding bottom 50% of the ABC Outlets averaged \$697,223 in Gross Sales. The highest Gross Sales figure used to calculate the Average Gross Sales for the bottom 50% of the ABC Outlets is \$994,608, the lowest Gross Sales figure in this range is \$259,482, and the median is \$721,010. Forty-six percent of these ABC Outlets, or 32 Outlets, fell below the average of \$697,223.

The highest Gross Sales figure used to calculate the Average Gross Sales for the top 75% of the ABC Outlets is \$3,092,692, the lowest Gross Sales figure in this range is \$721,010, and the median is \$1,104,563.

The corresponding bottom 75% of the ABC Outlets averaged \$836,857 in Gross. The highest Gross Sales figure used to calculate the Average Gross Sales for the bottom 75% of the ABC Outlets is \$1,247,487, the lowest Gross Sales figure in this range is \$259,482, and the median is \$840,642. Fifty percent of these ABC Outlets, or 52 Outlets, fell below the average of \$836,857.

The highest Gross Sales figure used to calculate the Average Gross Sales for 100% of the ABC Outlets is \$3,092,692, the lowest Gross Sales figure in this range is \$259,482, and the median is \$995,577.

### **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 \$202, the lowest figure in this range is \$115, and the median is \$143. The corresponding bottom 10% of the ABC Outlets averaged \$32 per square. The highest figure in the range is \$40, the lowest figure in the range is \$22 and the median is \$35. Forty-three percent of these ABC Outlets, or 6 Outlets, fell below the average of \$32.

The highest revenue per square foot figure used to calculate the average for the top 25% of the ABC Outlets is \$202, the lowest figure in this range is \$87, and the median is \$107. The corresponding bottom 25% of the ABC Outlets averaged \$40 per square foot. The highest figure in the range is \$49, the lowest figure in the range is \$22 and the median is \$42. Thirty-eight percent of these ABC Outlets, or 13 Outlets, fell below the average of \$40.

The highest revenue per square foot figure used to calculate the average for the top 50% of the ABC Outlets is \$202, the lowest figure in this range is \$67, and the median is \$115. The corresponding bottom 50% of the ABC Outlets averaged \$49 per square foot. The highest figure in the range is \$67, the lowest figure in the range is \$22 and the median is \$49. Forty-nine percent of these ABC Outlets, or 34 Outlets, fell below the average of \$49.

The highest revenue per square foot figure used to calculate the average for the top 75% of the ABC Outlets is \$202, the lowest figure in this range is \$49, and the median is \$76. The corresponding bottom 75% of the ABC Outlets averaged \$58 per square foot. The highest figure in the range is \$87, the lowest figure in the range is \$22 and the median is \$59. Forty-nine percent of these ABC Outlets, or 51 Outlets, fell below the average of \$58.

The highest revenue per square foot figure used to calculate the average for 100% of the ABC Outlets is \$202, the lowest figure in this range is \$22, and the median is \$67.

### **Notes to Table C**

The highest number of members figure used to calculate the average for the top 10% of the ABC Outlets is 7,929, the lowest figure in this range is 4,436, and the median is 5,417. The corresponding bottom 10% of the ABC Outlets averaged 1,185 members. The highest figure in the range is 1,448, the lowest figure in the range is 755, and the median was 1,239. Thirty-six percent of these ABC Outlets, or 5 Outlets, fell below the average of 1,185.

The highest number of members figure used to calculate the average for the top 25% of the ABC Outlets is 7,929, the lowest figure in this range is 3,299, and the median is 4,334. The corresponding bottom 25% of the ABC Outlets averaged 1,553 members, with the highest membership of 2,014 members, a low of 755 members, and a median of 1,571 members. Forty-nine percent of these ABC Outlets, or 17 Outlets, fell below the average of 1,553.

The highest number of members figure used to calculate the average for the top 50% of the ABC Outlets is 7,929, the lowest figure in this range is 2,738, and the median is 3,299. The corresponding bottom 50% of the ABC Outlets averaged 1,950 members, with the highest membership of 2,709 members, a low of 755 members, and a median of 2,014 members. Forty-one percent of these ABC Outlets, or 28 Outlets, fell below the average of 1,950.

The highest number of members figure used to calculate the average for the top 75% of the ABC Outlets is 7,929, the lowest figure in this range is 2,014 , and the median is 2,939. The corresponding bottom 75% of the ABC Outlets averaged 2,301 members, with the highest membership of 3,299members, a low of 755 members, and a median of 2,351 members. Forty-eight percent of these ABC Outlets, or 50 Outlets, fell below the average of 2,301.

The highest number of members figure used to calculate the average for 100% of the ABC Outlets is 7,929, the lowest figure in this range is 755, and the median is 2,724.

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**TABLE D**

**Average Earnings Before Interest, Taxes, Depreciation, and Amortization (“EBITDA\*\*”) of the  
DEFG Outlets  
From 2017 Federal Tax Returns**

<b>Average EBITDA* (in dollars) Reported by the DEFG Clubs in 2016 Federal Tax Returns</b>	<b>Percentile</b>	<b>Number of DEFG Outlets in Percentile</b>	<b>Number of DEFG Outlets that Achieved or Exceeded the Stated Average EBITDA</b>	<b>Percentage of DEFG Outlets in Percentile that Achieved or Exceeded the Stated Average EBITDA</b>
\$527,426	Top 10%	10	2	20%
\$401,062	Top 25%	25	11	45%
\$307,936	Top 50%	49	19	39%
\$242,769	Top 75%	74	28	38%
\$180,821	100%	98	46	47%

**TABLE E**

**Average Earnings Before Interest, Taxes, Depreciation, and Amortization (“EBITDA\*\*”)   
Percentage for DEFG Outlets  
From 2017 Federal Tax Returns**

<b>Average EBITDA* (as a percentage of total earnings) Reported by DEFG Outlets in 2016 Federal Tax Returns</b>	<b>Percentile</b>	<b>Number of DEFG Outlets in Percentile</b>	<b>Number of DEFG Outlets in Percentile that Achieved or Exceeded the Average EBITDA (as a percentage of total yearnings)</b>	<b>Percentage of DEFG Outlets in Percentile that Achieved or Exceeded the Average EBITDA (as a percentage of total yearnings)</b>
31%	Top 10%	10	3	31%
27%	Top 25%	25	8	33%
24%	Top 50%	49	20	41%
20%	Top 75%	74	36	49%
16%	100%	98	47	48%

**TABLE F**

**Average Payroll Expenses of DEFG Outlets  
From 2017 Federal Tax Returns**

<b>Column 1: Total Number of DEFG Outlets</b>	<b>Column 2: Average Payroll Expense</b>	<b>Column 3: Number &amp; Percentage of DEFG Outlets whose Payroll Expenses Equaled or Exceeded the Results Stated in Column 2</b>	<b>Column 4: Average Payroll as a Percentage of Gross Sales</b>	<b>Column 5: Number &amp; Percentage of DEFG Outlets whose Payroll Expenses Equaled or Exceeded the Results Stated in Column 4</b>
98	\$263,713	44 or 45%	23%	49 or 50%

**TABLE G**

**Average Rent Expenses of DEFG Outlets  
From 2017 Federal Tax Returns**

<b>Column 1: Total Number of DEFG Outlets</b>	<b>Column 2: Average Rent Expense</b>	<b>Column 3: Number &amp; Percentage of DEFG Outlets whose Rent Expenses Equaled or Exceeded the Results Stated in Column 2</b>	<b>Column 4: Average Rent as a Percentage of Gross Sales</b>	<b>Column 5: Number &amp; Percentage of DEFG Outlets whose Rent Expenses Equaled or Exceeded the Results Stated in Column 4</b>
98	\$263,713	44 or 45%	23%	49 or 50%

**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 \$888,484, the lowest figure in this range is \$426,606, and the median is 448,489. The corresponding bottom 10% of the DEFG Outlets averaged (\$79,875) in EBITDA. The highest figure in the range is (\$10,417) the lowest figure in the range is (\$235,932), and the median is (\$59,481). Thirty-one percent of these DEFG Outlets, or 3 Outlets, fell below the average of (\$79,975).

The highest of the EBITDA figures used to calculate the average for the top 25% of the DEFG Outlets is \$888,484, the lowest figure in this range is \$237,795, and the median is 341,167. The corresponding bottom 25% of the DEFG Outlets averaged \$(6,802) in EBITDA. The highest figure in the range is \$74,409 the lowest figure in the range is (\$235,932), and the median is \$9,663. Forty-five percent of these DEFG Outlets, or 11 Outlets, fell below the average of \$(6,802).

The highest of the EBITDA figures used to calculate the average for the top 50% of the DEFG Outlets is \$888,848, the lowest figure in this range is \$163,112, and the median is \$273,795. The corresponding bottom 50% of the DEFG Outlets averaged \$53,705 in EBITDA. The highest figure in the range is \$155,657 the lowest figure in the range is (\$235,932), and the median is \$74,409. Thirty-nine percent of these DEFG Outlets, or 19 Outlets, fell below the average of \$53,705.

The highest of the EBITDA figures used to calculate the average for the top 75% of the DEFG Outlets is \$888,484, the lowest figure in this range is \$74,409, and the median is \$207,562. The corresponding bottom 75% of the DEFG Outlets averaged \$107,671 in EBITDA. The highest figure in the range is \$273,795 the lowest figure in the range is (\$235,932), and the median is \$118,149. Forty-eight percent of these DEFG Outlets, or 35 Outlets, fell below the average of \$107,671.

The highest number of members figure used to calculate the average for 100% of the DEFG Outlets is 888,484, the lowest figure in this range is (\$235,932), and the median is 159,385.

### **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 40%, the lowest figure in this range is 27%, and the median is 30%. The corresponding bottom 10% of the DEFG Outlets averaged (10%) in EBITDA percentage. The highest figure in the range is (1)% the lowest figure in the range is (48%) and the median is (4%). Twenty percent of these DEFG Outlets, or 2 Outlets, fell below the average of (10%).

The highest of the EBITDA percentage figures used to calculate the average for the top 25% of the DEFG Outlets is 40%, the lowest figure in this range is 23%, and the median is 26%. The corresponding bottom 25% of the DEFG Outlets averaged 0% in EBITDA percentage. The highest figure in the range is 9% the lowest figure in the range is (48)%, and the median is 3%. Forty-five percent of these DEFG Outlets, or 11 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 40%, the lowest figure in this range is 16%, and the median is 23%. The corresponding bottom 50% of the DEFG Outlets averaged 7% in EBITDA percentage. The highest figure in the range is 15% the lowest figure in the range is (48%), and the median is 10%. Thirty-nine percent of these DEFG Outlets, or 19 Outlets, fell below the average of 7%.

The highest of the EBITDA percentage figures used to calculate the average for the top 75% of the DEFG Outlets is 40%, the lowest figure in this range is 9%, and the median is 19%. The corresponding bottom 75% of the DEFG Outlets averaged 11% in EBITDA percentage. The highest figure in the range is 23%, the lowest figure in the range is (48%), and the median is 12%. Forty-two percent of these DEFG Outlets, or 31 Outlets, fell below the average of 11%.

The highest percentage figure used to calculate the average for 100% of the DEFG Outlets is 40%, the lowest figure in this range is (48%), and the median is 16%.

### **Notes to Table F**

The highest of the payroll figures used to calculate the average is \$867,666, the lowest figure in this range is \$70,143, and the median is \$254,181. The highest of the payroll figures used to calculate the average payroll as a percentage of Gross Sales is 57%, the lowest figure in this range is 7% and the median is 23%.

## **Notes to Table G**

One of the DEFG Outlets reported zero dollars in rent for the entire 2017 calendar year. The highest of the rent figures used to calculate the average is \$764,040, the lowest figure in this range is \$0, and the median is \$237,324. The highest of the rent figures used to calculate the average rent as a percentage of Gross Sales is 48%, the lowest figure in this range is 0% and the median is 23%.

### **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' 2017 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 98 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® 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, taking into account 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.

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