

## 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 that 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.

At the end of calendar year 2018, there were 1,703 franchised Sport Clips stores. The 2 Statements of Gross Sales below do not include 4 stores in Rochester, New York, which are not typical Sport Clips stores and operate under a special limited services license agreement that is not offered to new franchisees. We know that the gross sales of the stores in Rochester, New York are, on average, less than other stores in the System. The 2 Statements of Gross Sales below also do not include 69 Company-owned stores located in Central Texas, Southern Nevada, Oklahoma and Arkansas.

All stores included in the Statements of Gross Sales did not receive any services that were not generally available to other Sport Clips stores, and each store offered similar products and services as would generally be offered by a typical Sport Clips store.

The gross sales figures included in the first Statement of Gross Sales below are based upon all 1,341 Sport Clips franchise stores that were in continual operation for the entire calendar years of 2016, 2017, and 2018. The gross sales figures are taken directly from gross sales reports made by the stores to the Company.

<b>STATEMENT OF GROSS SALES</b>		
<b>YEAR 2018 GROSS SALES AS REPORTED TO THE COMPANY</b>		
<b>(1,341 Stores in Continual Operation During 2016, 2017 and 2018)</b>		
Gross Sales	Number of Stores	Percentage of Stores/Cumulative % of stores at each level or higher
Over \$600,000	126	9%/9%
\$500,001 - \$600,000	185	14%/23%
\$450,001 - \$500,000	143	11%/34%
\$400,001 - \$450,000	179	13%/47%
\$350,001 - \$400,000	225	17%/64%
\$300,001 - \$350,000	226	17%/81%
\$250,001 - \$300,000	163	12%/93%
Less than \$250,000	94	7%/100%
<b>Total</b>	<b>1,341</b>	<b>100%</b>

These 1,341 stores had average sales of \$416,020 for the entire year of 2018. 558 stores had sales above this average, and 772 stores had sales lower than the average. The median sales for these 1,341 stores were \$391,031 for the entire year of 2018.

The gross sales figures included in the second Statement of Gross Sales below are based upon all 1,472 Sport Clips franchise stores that were in continual operation for the entire calendar years of 2017 and 2018. The gross sales figures are taken directly from gross sales reports made by the stores to the Company.

<b>STATEMENT OF GROSS SALES</b> <b>YEAR 2018 GROSS SALES AS REPORTED TO THE COMPANY</b> <b>(1,472 Stores in Continual Operation During 2017 and 2018)</b>		
Gross Sales	Number of Stores	Percentage of Stores/ Cumulative % of stores at each level or higher
Over \$600,000	127	9%/9%
\$500,001 - \$600,000	191	13%/22%
\$450,001 - \$500,000	150	10%/32%
\$400,001 - \$450,000	189	13%/45%
\$350,001 - \$400,000	241	16%/61%
\$300,001 - \$350,000	250	17%/78%
\$250,001 - \$300,000	197	13%/91%
Less than \$250,000	127	9%/100%
<b>Total</b>	<b>1,472</b>	<b>100%</b>

These 1,472 stores had average sales of \$407,093 for the entire year of 2018. 630 stores had sales above this average, and 842 stores had sales lower than the average. The median sales for these 1,472 stores were \$382,949 for the entire year of 2018.

**Some outlets have sold this amount. Your individual results may differ. There is no assurance you will sell as much.**

The financial performance representations above do not reflect the costs of sales, operating expenses, or other costs or expenses that must be deducted from 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 Sport Clips franchise. Franchisees or former franchisees, listed in the Disclosure Document, may be one source of this information.

In addition to actual sales, an important metric for any retail business is the growth in same store sales year-over-year. For the fourth quarter of 2018, the 1,560 franchised stores that were open one year or more at the beginning of the quarter averaged \$7,700 per week in sales, which annualized would be \$400,400. 673 stores had average sales higher than this amount, and

887 had lower sales. This was an increase for these same stores over the fourth quarter of 2017 of 7.0%. The median sales for these same 1,560 stores were \$7,249 per week in sales for the fourth quarter of 2018, which annualized would be \$376,958.

The following chart illustrates store sales growth over the last five years measured by average weekly revenues for all stores open for at least 13 months at the end of the indicated year. Percent change represents growth over the previous year. The chart below does not include the 4 stores in Rochester, New York, which are not typical Sport Clips stores and operate under a special limited services license agreement that is not offered to new franchisees. It also does not include any Company-owned stores or stores that were not in continual operation during the calculated period. The stores included in the chart below did not receive any services that were not generally available to other Sport Clips stores. Each store offered similar products and services as would generally be offered by a typical Sport Clips store, and the Company received sales report information directly from the franchisee.

### **Sales Growth for Stores Continually Open for at Least 13 Months**

	2013 (938 stores)	2014 (1,096 stores)	2015 (1,246 stores)	2016 (1,386 stores)	2017 (1,483 stores)	2018 (1,584 stores)
Percent Sales Growth	6.7%	8.2%	8.4%	7.0%	3.5%	5.0%

### **Expense Reports for Company-Owned Stores During 2018**

The Expense Report below shows the average expenses at each store's sales level and those expenses as a percentage of total revenue in each column.

We owned and operated 69 stores in Central Texas, Southern Nevada, Oklahoma and Arkansas markets during 2018.

We are not offering franchises in these markets.

The Expense Report below excludes the results of our 7 Company-owned stores in Northwest, Arkansas and our 6 Company-owned stores in Tulsa, Oklahoma, which we did not own for the entirety of 2018. This report also excludes 4 stores the Company owned but did not operate for the entire year of 2018.

The managers of the Company-owned stores included in the Expense Report did not receive any services that were not generally available to other Sport Clips stores. Each store offered similar products and services as would generally be offered by a typical Sport Clips store, except for limited tests of procedures, products and/or services that may or may not be eventually incorporated into the system, depending on the success of the tests.

We owned and operated 52 stores in Central Texas, Southern Nevada and Oklahoma City, Oklahoma for the entire year of 2018 that are reported below.

	<b>Sales Less Than \$400,000</b>	<b>Sales \$400,001 To \$500,000</b>	<b>Sales \$500,001 To \$600,000</b>	<b>Sales Greater Than \$600,000</b>	<b>Average of All Stores</b>
<b>Number of Stores</b>	5	19	8	20	52
<b>Gross Sales</b>	\$335,956 100%	\$460,054 100%	\$539,083 100%	\$707,012 100%	\$588,264 100%
<b>Variable Costs (Note 1)</b>	\$35,488 11%	\$46,827 10%	\$48,631 9%	\$64,460 9%	\$52,796 10%
<b>Payroll (Note 2)</b>	\$159,123 47%	\$193,495 42%	\$225,110 42%	\$307,809 44%	\$239,021 43%
<b>Occupancy (Note 3)</b>	\$61,623 18%	\$59,776 13%	\$64,309 12%	\$63,436 9%	\$62,059 11%
<b>Advertising (Note 4)</b>	\$19,857 6%	\$25,432 5%	\$28,337 5%	\$29,578 4%	\$26,937 5%
<b>Miscellaneous (Note 5)</b>	\$6,784 2%	\$7,489 2%	\$7,021 1%	\$7,717 1%	\$7,437 1%
<b>Operating Profit (Note 6)</b>	\$53,081 16%	\$127,036 28%	\$165,675 31%	\$234,013 33%	\$167,014 30%

Note 1. Variable Costs include operating supplies, cost of goods sold, bank service charges, credit card discounts, and advertising to recruit Stylists.

Note 2. Payroll includes direct payroll, including payroll for an on-site full-time manager, payroll taxes and fringe benefits except for 401K and medical insurance costs.

Note 3. Occupancy includes rent, pass-through expenses from the landlord, utilities, phone charges, and repairs and maintenance.

Note 4. Advertising includes the weekly payments to the Ad Fund plus other advertising and marketing expenses for the store.

Note 5. Miscellaneous expense includes magazine subscriptions, store insurance, contributions to the Technology Fund, the Recruitment Fund, the Sport Clips Wayne McGlone Memorial Relief Fund, and overages and/or shortages from the cash drawer.

Note 6. Operating Profit does not include an amount paid for royalties or weekly training fees. The numbers in the Expense Report are unaudited, but we believe that these numbers are substantially correct.

**A NEW FRANCHISEE'S INDIVIDUAL FINANCIAL RESULTS ARE LIKELY TO DIFFER FROM THE RESULTS STATED IN THE STATEMENTS OF GROSS SALES AND THE EXPENSE REPORT.**

Written substantiation for the financial performance representation will be made available to the prospective franchisee at the Company's office at 110 Briarwood, Georgetown, Texas 78628.

Other than the preceding financial performance representation, Sport Clips, Inc. does not make any financial performance representations. We also do not authorize our employees or representatives to make any 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 Gordon B. Logan, 110 Briarwood, Georgetown, Texas, 78628, telephone (512) 869-1201, the Federal Trade Commission, and the appropriate state regulatory agencies.

