

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 2019, there were 1,750 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 70 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 1,463 Sport Clips franchise stores that were in continual operation for the entire calendar years of 2017, 2018, and 2019. The gross sales figures are taken directly from gross sales reports made by the stores to the Company.

| STATEMENT OF GROSS SALES YEAR 2019 GROSS SALES AS REPORTED TO THE COMPANY (1,463 Stores in Continual Operation During 2017, 2018 and 2019) | | |
|---|------------------|---|
| Gross Sales | Number of Stores | Percentage of Stores/Cumulative % of stores at each level or higher |
| Over \$600,000 | 148 | 10%/10% |
| \$500,001 - \$600,000 | 226 | 15%/26% |
| \$450,001 - \$500,000 | 162 | 11%/37% |
| \$400,001 - \$450,000 | 201 | 14%/50% |
| \$350,001 - \$400,000 | 260 | 18%/68% |
| \$300,001 - \$350,000 | 213 | 15%/83% |
| \$250,001 - \$300,000 | 162 | 11%/94% |
| Less than \$250,000 | 91 | 6%/100% |
| Total | 1,463 | 100% |

These 1,463 stores had average sales of \$425,554 for the entire year of 2019. 622 stores had sales above this average, and 841 stores had sales lower than the average. The median sales for these 1,463 stores were \$401,518 for the entire year of 2019.

The gross sales figures included in the second Statement of Gross Sales below are based upon all 1,585 Sport Clips franchise stores that were in continual operation for the entire calendar years of 2018 and 2019. The gross sales figures are taken directly from gross sales reports made by the stores to the Company.

| STATEMENT OF GROSS SALES YEAR 2019 GROSS SALES AS REPORTED TO THE COMPANY (1,585 Stores in Continual Operation During 2018 and 2019) | | |
|--|------------------|--|
| Gross Sales | Number of Stores | Percentage of Stores/ Cumulative % of stores at each level or higher |
| Over \$600,000 | 152 | 10%/10% |
| \$500,001 - \$600,000 | 231 | 15%/24% |
| \$450,001 - \$500,000 | 170 | 11%/35% |
| \$400,001 - \$450,000 | 215 | 14%/48% |
| \$350,001 - \$400,000 | 282 | 18%/66% |
| \$300,001 - \$350,000 | 232 | 15%/81% |
| \$250,001 - \$300,000 | 185 | 12%/93% |
| Less than \$250,000 | 118 | 7%/100% |
| Total | 1,585 | 100% |

These 1,585 stores had average sales of \$419,126 for the entire year of 2019. 676 stores had sales above this average, and 909 stores had sales lower than the average. The median sales for these 1,585 stores were \$395,663 for the entire year of 2019.

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 2019, the 1,650 franchised stores that were open one year or more at the beginning of the quarter averaged \$7,885 per week in sales, which annualized would be \$410,033. 713 stores had average sales higher than this amount, and 937 had lower sales. This was an increase for these same stores over the fourth quarter of 2018 of 4.5%. The median sales for these same 1,650 stores were \$7,494 per week in sales for the fourth quarter of 2019, which annualized would be \$389,670.

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

| | 2014 (1,096 stores) | 2015 (1,246) stores) | 2016 (1,386 stores) | 2017 (1,483 stores) | 2018 (1,584 stores) | 2019 (1,658 stores) |
|-------------------------|---------------------------|----------------------------|---------------------------|---------------------------|---------------------------|---------------------------|
| Percent Sales Growth | 8.2% | 8.4% | 7.0% | 3.5% | 5.0% | 4.7% |

Expense Reports for Company-Owned Stores During 2019

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 70 stores in Central Texas, Southern Nevada, Oklahoma and Arkansas markets during 2019.

We are not offering franchises in these markets.

This report also excludes 3 stores the Company owned but did not operate for the entire year of 2019.

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 67 stores in Central Texas, Southern Nevada and Oklahoma City, Oklahoma for the entire year of 2019 that are reported below.

| | Sales Less Than \$400,000 | Sales \$400,001 To \$500,000 | Sales \$500,001 To \$600,000 | Sales Greater Than \$600,000 | Average of All Stores |
|----------------------------------|----------------------------------|-------------------------------------|-------------------------------------|-------------------------------------|------------------------------|
| Number of Stores | 5 | 18 | 17 | 27 | 67 |
| Gross Sales | \$348,724 100% | \$458,384 100% | \$539,462 100% | \$728,954 100% | \$579,808 100% |
| Variable Costs (Note 1) | \$30,425 9% | \$37,313 8% | \$42,789 8% | \$53,107 7% | \$44,553 8% |
| Payroll (Note 2) | \$162,282 47% | \$197,784 43% | \$230,477 43% | \$315,118 43% | \$250,714 43% |
| Occupancy (Note 3) | \$63,254 18% | \$62,112 14% | \$63,960 12% | \$67,758 9% | \$64,941 11% |
| Advertising (Note 4) | \$19,298 5% | \$24,538 5% | \$28,909 5% | \$33,981 5% | \$29,061 5% |
| Miscellaneous (Note 5) | \$14,551 4% | \$15,559 3% | \$15,350 3% | \$16,326 2% | \$15,740 3% |
| Operating Profit (Note 6) | \$58,912 17% | \$121,078 26% | \$157,977 29% | \$242,664 33% | \$174,798 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 Eric Gozur - 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 Sport Clips Way, 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 Sport Clips Way, Georgetown, Texas, 78628, telephone (512) 869-1201, the Federal Trade Commission, and the appropriate state regulatory agencies.