

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.

Financial Information During the Covid-19 Pandemic

During the year 2020, the Covid-19 pandemic forced many Sport Clips stores to close for varying periods of time and, upon reopening, curtailed the number of clients that could be accommodated at one time in a Sport Clips store. There is no way to predict the duration of the current Covid-19 pandemic or the effects it will have on any particular Sport Clips store. You should consult with your local and state health agencies and obtain guidance on the likely effect of this pandemic on personal care salons, such as a Sport Clips store.

Gross Sales of Franchised Stores for the Years 2017 Through 2020

At the end of calendar year 2020, there were 1,768 franchised Sport Clips stores. The 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 Sport Clips System.

The Statement of Gross Sales below also do not include 162 stores that were not open at least 39 weeks during the year 2020 because of lock-down orders arising from the Covid-19 pandemic. The Statements of Gross Sales below also do not include 69 Company-owned stores located in Central Texas, Southern Nevada, Oklahoma and Arkansas, or 7 stores in Tennessee owned by SCI in partnership with a franchisee. 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.

STATEMENT OF GROSS SALES YEAR 2020 GROSS SALES AS REPORTED TO THE COMPANY (1,413 Franchised Stores in Continual Operation During 2018, 2019 and 2020 <u>AND</u> in Continual Operation For At Least 39 Weeks in 2020)		
Gross Sales	Number of Stores	Percentage of Stores/Cumulative % of stores at each level or higher
Over \$600,000	16	1%/1%
\$500,001 - \$600,000	47	3%/4%
\$450,001 - \$500,000	53	4%/8%
\$400,001 - \$450,000	95	7%/15%
\$350,001 - \$400,000	137	10%/25%
\$300,001 - \$350,000	236	17%/42%
\$250,001 - \$300,000	290	20%/62%
Less than \$250,000	539	38%/100%
Total	1,413	100%

These 1,413 stores had average sales of \$295,042 for the entire year of 2020. 612 stores had sales above this average, and 801 stores had sales lower than the average. The median sales for these 1,413 stores were \$279,677 for the entire year of 2020.

**Average Weekly Franchised Store Sales by Month the Calendar Years 2018, 2019,
and 2020 Sales As Reported to the Company**

The tables 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 Sport Clips System. The Statements of Gross Sales below do not include 69 Company-owned stores located in Central Texas, Southern Nevada, Oklahoma and Arkansas, or 7 stores in Tennessee owned by SCI in partnership with a franchisee.

2018 Average Sales by Month (Stores open prior to January 1, 2016)													
Month	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	2018 Average
Average Sales	\$ 7,510	\$ 7,938	\$ 8,275	\$ 7,849	\$ 8,269	\$ 8,121	\$ 8,068	\$ 8,645	\$ 7,972	\$ 7,944	\$ 7,903	\$ 8,170	\$ 8,061
Count of Stores	1319	1319	1319	1319	1318	1318	1317	1317	1317	1317	1316	1316	1320

2019 Average Sales by Month (Stores open prior to January 1, 2017)													
Month	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	2019 Average
Average Sales	\$ 7,744	\$ 8,012	\$ 8,371	\$ 8,228	\$ 8,357	\$ 8,288	\$ 8,180	\$ 8,877	\$ 8,173	\$ 8,108	\$ 8,008	\$ 8,230	\$ 8,219
Count of Stores	1443	1442	1442	1443	1444	1446	1446	1446	1446	1446	1445	1445	1446

2020 Average Sales by Month (Stores open prior to January 1, 2018)													
Month	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	2020 Average
Average Sales	\$ 8,078	\$ 8,327	\$ 6,698	\$ 1,975	\$ 7,066	\$ 6,007	\$ 5,194	\$ 6,062	\$ 6,025	\$ 6,080	\$ 5,798	\$ 5,757	\$ 6,396
Count of Stores	1564	1562	1562	30	897	1525	1540	1443	1541	1544	1546	1546	1584

GROSS SALES OF FRANCHISED STORES FOR PREVIOUS YEARS

The gross sales figures included in the first Statement of Gross Sales below are based upon all 1,463 Sport Clips franchised stores that were in continual operation for the entire calendar years of 2017, 2018, and 2019, and before the Covid-19 pandemic. 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 Franchised 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	14%/24%
\$450,001 - \$500,000	170	11%/35%
\$400,001 - \$450,000	215	13%/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. SCI is not able to predict the length of time the financial performance of any particular Sport Clips will be affected in the future due to the Covid-19 pandemic.

Weekly Expense Reports for Company-Owned Stores During 2019

We owned and operated 70 stores in Central Texas, Southern Nevada, Oklahoma and Arkansas markets 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 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.

This financial information is historical only and shows the performance of stores owned by the Company for a time period before the Covid-19 pandemic. SCl cannot predict the effect the Covid-19 pandemic will have on any Sport Clips store in the future.

	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 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. SALES IN 2021 CONTINUE TO UNDER-PERFORM THE RESULTS IN 2019

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.