

ITEM 19

FINANCIAL PERFORMANCE REPRESENTATIONS

The Federal Trade Commission'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.

Before you start to review the information in this Item 19, we want to call your attention to these important points:

1. Some Restaurants have sold and earned this amount. Your individual results may differ. There is no assurance that you will sell or earn as much.

2. We will make written substantiation for the financial performance representations in this Item 19 available to prospective franchisees upon reasonable request.

3. The financial performance representations included in this Item 19 include results for Fazoli's fiscal year 2024 (December 31, 2023 to December 31, 2024) ("Reporting Period") and represent a subset of all Fazoli's Restaurants that meet the following criteria ("Reporting Criteria"): (a) operated solely as a company-owned or as a franchised location for the full fiscal year; and (b) open for business to the public for a continuous period of at least twelve (12) months as of the end of the 2024 fiscal year ("Reporting Group"). We have divided the Reporting Group into two subsets based on operational differences between (a) "traditional" venues with full-service operations (freestanding) ("Traditional Restaurants") and (b) "non-traditional" venues (non-traditional and delivery-only) ("Non-traditional Restaurants"). There are no in-line end-cap restaurants in the Reporting Group. We have excluded four (4) franchised Traditional Restaurants, one (1) franchised Non-traditional Restaurants, and no company-owned Restaurants that were opened for less than 12 months or did not operate continuously for a period of 12 months. In applicable reporting periods, we exclude Restaurants that change designations between company-owned and franchised during the given reporting period; however, during the Reporting Period there were no outlets that changed designations. We have excluded a total of fourteen (14) franchised locations that ceased operations during the Reporting Period. There were no excluded outlets that closed during the same time period after being open less than 12 months.

4. The financial performance representations included in this Item 19 include expense data exclusively for company-owned Fazoli's Restaurants.

5. The Net Revenue of franchised Restaurants used in this Item 19 was derived from the unaudited financial reports submitted by franchisees for the purpose of computing royalty fees. Fazoli's compiled the Net Revenue of company-owned Restaurants on the basis of generally accepted accounting principles, consistently applied.

6. There are three (3) tables that follow in this Item 19. You should read them together with all of the notes and explanatory information that follows in this Item 19.

7. We provide two (2) types of financial performance representations in this Item 19. The first reflects Net Revenue, Expenses and Restaurant Cash Flow of company-owned Fazoli's Restaurants in the Reporting Group during the Reporting Period. The second contains information on Net Revenue during the Reporting Period for Fazoli's Restaurants that are operated by Fazoli's franchisees and that are in the Reporting Group.

Financial Performance Representation

The following table presents revenue, expense, and cash flow data for the fifty-six (56) company-owned Restaurants in the Reporting Group during the Reporting Period. All company-owned Restaurants are traditional venues.

Table 1

**AVERAGE NET REVENUE AND RESTAURANT CASH FLOW
FOR COMPANY-OWNED RESTAURANTS IN THE REPORTING GROUP
DURING THE REPORTING PERIOD (FISCAL YEAR 2024)**

	Total		Upper		Mid-Level		Lower	
Average (Mean) Net Revenue (1)	\$1,355,461		\$1,778,676		\$1,294,590		\$972,987	
Median Net Revenue (1)	\$1,342,622		\$1,774,949		\$1,324,069		\$979,470	
# of Restaurants (1)	56		19		19		18	
# of Restaurants at or above Average (1)	31		9		12		10	
% of Restaurants at or above Average (1)	55%		47%		63%		56%	
High Average Net Revenue (1)	\$2,387,875		\$2,387,875		\$1,464,071		\$1,082,925	
Low Average Net Revenue (1)	\$799,832		\$1,484,921		\$1,091,214		\$799,832	
Average Cost of Goods Sold (2)	\$364,057	26.9%	\$469,814	26.4%	\$348,992	27.0%	\$268,327	27.6%
Average Direct Labor Costs (3)	\$445,697	32.9%	\$526,771	29.6%	\$422,522	32.6%	\$384,581	39.5%
Other Operating Expenses (4)	\$233,670	17.2%	\$264,857	14.9%	\$228,435	17.6%	\$206,277	21.2%
Occupancy Expenses (5)	\$125,327	9.2%	\$132,741	7.5%	\$126,809	9.8%	\$115,938	11.9%
Imputed Royalties and Advertising Fees (6)	\$121,992	9.0%	\$160,081	9.0%	\$116,513	9.0%	\$87,569	9.0%
Restaurant Cash Flow (7)	\$64,718	4.8%	\$224,413	12.6%	\$51,320	4.0%	-\$89,705	-9.2%

Explanatory Notes for Table 1

The following terms used in the table above are defined as follows:

1. "Net Revenue" means all revenues from sales of food, beverages and any other items or services, whether at retail or wholesale (further including, without limitation, gift certificates and

gift cards). “Net Revenue” excludes: (i) all sales, use, excise and similar taxes separately billed and collected for, and remitted to, governmental authorities; (ii) authorized discounts and coupons and rewards, including senior citizen and employee discounts; and (iii) charitable donations to schools, churches, and similar charitable organizations to the extent such amount was previously included in sales. We may refer to “Net Revenue” and “sales” interchangeably in this Item 19.

“Top 1/3rd”, “Middle 1/3rd” and “Bottom 1/3rd” refer to three (3) groups of Restaurants determined by taking a simple high to low ranking based on Net Revenue performance and dividing the total number of Restaurants into three (3) groups of nearly equal numbers (also known as “terciles”).

“% and # Restaurants at or Above Average” means the percentage and raw number of Restaurants included in the data whose reported average sales are above the stated average, meaning that these Restaurants performed better than the stated average.

The Average Net Revenue information contained in Table 1 represents the financial performance of the subset of 56 company-owned Restaurants that met the Reporting Criteria. No company-owned Restaurants were excluded from the Reporting Group.

2. “Cost of Goods Sold” or “COGS” means the total cost of goods sold including food, beverages, and paper goods, net of any supplier rebates. These are items directly related to the food or beverage sold to the customer, such as food, beverages, cups, napkins, straws, bags, plastic utensils and wrapping paper. COGS is shown as a dollar amount and as a percentage of Net Revenue within the Top 1/3rd, Middle 1/3rd, and Bottom 1/3rd Net Revenue Restaurant groups.

3. “Direct Labor Costs” includes the cost for hourly and management Restaurant but does not include any salary or overhead for area field supervision or any above-Restaurant level (for example, area supervisor or above) or other salaries, costs or benefits associated with company operations or that the company classifies as a corporate General and Administrative expense. Labor costs include employee wages and benefits, employee training expenses, payroll taxes, corporate insurance allocations for group health, employee meals, sick pay, and vacation pay. Depending on local or state laws, the minimum required wage paid to employees may vary, and you may encounter higher relative labor costs accordingly.

4. “Other Operating Expenses” include Restaurant expenses and other miscellaneous operating expenses. Items included are Restaurant supplies, tableware, linen, uniforms, internet connection fees, software licensing fees, credit card fees, and bank charges, telephone expenses, utilities, security, variable repair, maintenance contracts, trash removal, catering expenses, point of sale, delivery fees, and other miscellaneous fees and expenses. Marketing expenses are excluded from the “Other Operating Expense” category and are accounted for as imputed advertising fees (see Note 6 below).

5. “Occupancy Expenses” include all rent, property taxes, property insurance, and other miscellaneous occupancy-related items. Rent consists of minimum rents, percentage rents, common area maintenance charges, and any sales or other taxes imposed thereon. Property taxes are real estate taxes and assessments levied against the property upon which the Restaurant is located and will vary based on the location of the Restaurant.

6. “Imputed Royalties and Advertising Fees” are included to illustrate that royalty and advertising fee expenses, while not actually incurred in the operation of company Restaurants, are in

fact incurred by franchisees in operating Restaurants. These expenses are reflected at 5% and 4% of Net Sales for royalty and advertising fees, respectively.

7. “Restaurant Cash Flow” is calculated by subtracting Cost of Goods Sold, Direct Labor Costs, Other Operating Expenses, Occupancy Expenses, and Imputed Royalty and Advertising Fees from Net Revenue. We do not include costs for interest or other debt service, taxes, depreciation, or amortization, as they vary considerably depending on the capitalization structure of the organization.

The following tables present revenue data for the 132 franchised Traditional Restaurants and 4 franchised Non-traditional Restaurants in the Reporting Group during the Reporting Period.

Table 2

AVERAGE NET REVENUE: SUBSET OF RESTAURANTS- OPERATED AS FULL-SERVICE FRANCHISE-OWNED RESTAURANTS FOR THE FULL FISCAL YEAR 2024

	Total	Upper	Mid-Level	Lower
Average (Mean) Net Revenue	\$1,312,096	\$1,784,583	\$1,245,286	\$897,197
Median Net Revenue	\$1,247,845	\$1,685,843	\$1,239,231	\$925,864
# of Restaurants	136	45	45	46
# of Restaurants at or above Average	57	19	22	24
% of Restaurants at or above Average	42%	42%	49%	52%
High Average Net Revenue	\$2,578,471	\$2,578,471	\$1,399,932	\$1,110,897
Low Average Net Revenue	\$483,978	\$1,412,142	\$1,111,541	\$483,978

Explanatory Notes for Table 2

1. Average Net Revenue is defined and terciles are explained in Explanatory Notes for Table 1, Note 1.

2. The Average Net Revenue information contained in Table 2 represents the financial performance of the subset of 136 (132 Traditional and 4 Non-traditional) franchised Restaurants that met the Reporting Criteria. Average Net Revenue is based upon sales reports submitted by franchisees. 3 franchised Restaurants were excluded from this financial performance representation because they did not operate for the entire twelve (12) month period.

3. The franchised Restaurants for which results are reported in Table 2 include only full-service Restaurants operating in “traditional” venues. Traditional venues may include: (1) freestanding Restaurants typically located on shopping center out parcels; and (2) smaller in-line units (designed for in-line or “end cap” locations in shopping centers); however, there are currently no in-line units in the Reporting Group. The franchised Restaurants for which results are reported in Table 3 include only Restaurants operating in “non-traditional” venues. Non-traditional venues include: (1) non-traditional locations in gas and convenience stores or colleges/universities; and (2) delivery-only ghost kitchens.

Additional Notes Regarding Net Revenues (Tables 1, 2 and 3 above)

1. The sales figures are compiled by using historical sales and, for franchised Fazoli's Restaurants, sales that are reported to us by franchisees. We have not audited or verified the reports provided to us by franchisees. Also, some, but not all, Fazoli's Restaurants report sales by way of our "Crunchtime" computer-based point of sale system. We consider sales data reported through the Crunchtime system to be more accurate and reliable than data gathered manually or by other means. All 56 company-owned Fazoli's Restaurants utilized the Crunchtime system to report sales data.

Other than the preceding financial performance representation, Fazoli's 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 Gregg Nettleton, President, 2470 Palumbo Drive, Lexington, Kentucky 40509, 859-268-1668, the Federal Trade Commission, and the appropriate state regulatory agencies.

ITEM 20 OUTLETS AND FRANCHISEE INFORMATION

Table No. 1

System-wide Restaurant Summary For Fiscal Years 2022 through 2024*

Restaurant Type	Year	Restaurants at Start of Year			Restaurants at End of Year			Net Change		
		Free Stand-ing	Inline/end-cap	Non-traditional	Free Stand-ing	In-line/end-cap	Non-traditional	Free Stand-ing	In-line/end-cap	Non-traditional
Franchise	2022	147	2	9	144	2	6	-3	0	-3
	2023	144	2	6	142	2	6	-2	0	0
	2024	142	2	6	134	1	4	-8	-1	-2
Company-Owned	2022	56	1	0	56	1	0	0	0	0
	2023	56	1	0	56	1	0	0	0	0
	2024	56	1	0	55	1	0	-1	0	0
Total Outlets	2022	203	3	9	200	3	6	-3	0	-3
	2023	200	3	6	198	3	6	-2	0	0
	2024	198	3	6	189	2	4	-9	-1	-2

Table No. 2

Transfers of Restaurants from Franchisees to New Owners (other than Franchisor) For Fiscal Years 2022 through 2024*

State	Year	Number of Transfers
Tennessee	2022	0
	2023	2
	2024	0
TOTALS	2022	0
	2023	2
	2024	0