

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.

Company-Owned Financial Performance Representations:

During the 2023 fiscal year, HOTWORX had four (4) operational company-owned studios and one (1) studio in development. HOTWORX also holds a minority interest in two (2) studios in New York, New York that opened during the 2023 fiscal year. HOTWORX makes no financial performance representation about these studios.

Franchised Outlets Financial Performance Representations:

Reasonable Basis for Financial Performance Representation: Franchised Outlets Historical Data

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

These studios are substantially similar to the studio you will operate if you decide to become a franchisee.

During the 2023 fiscal year, HOTWORX had 559 open franchise outlets, of which 401 studios were operational for the full 2023 fiscal year. The following representations are based on the performance of all 401 studios that were operational from January through December of 2023 as well as the performance of first and second-year franchise outlet studios that were open and operational during this same time period. Of these 401 franchise outlets, 169 were first full-year businesses and 82 were second-year businesses. The financials are unaudited.

Written substantiation for these representations will be made available to a prospective franchisee upon reasonable request.

First Year Operational Studios 2023 Financial Performance Representations:
Reasonable Basis for Financial Performance Representation: Franchised Outlets Historical Data

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

These studios are substantially similar to the studio you will operate if you decide to become a franchisee.

All of the 169 studios accounted for below are first full-year businesses. Table 19.1 is based on historical financial data related to those 169 studios, which is provided to us by our proprietary software for our franchised locations. The financials are unaudited.

The franchise outlets have been classified into thirds: Top, Middle, and Bottom. There is a range of performance within each group.

The leading franchise outlet out of the 169 first full-year outlets, the franchise outlet with the highest EBITDA within this group, had annual Total Revenues during the 2023 fiscal year of \$697,444 with an EBITDA of \$363,224.

The last outlet in 169 first full-year outlets, the franchise outlet with the lowest EBITDA within this group, had annual Total Revenues during the 2023 fiscal year of \$209,489 with an EBITDA of \$-(102,147).

The average number of memberships for first year studios was 440, the leading franchise outlet of the 169 first full-year outlets, the franchise outlet with the highest EBITDA within this group, had 1,112 members and the last outlet in the 169 first full-year outlets, the franchise outlet with the lowest EBITDA within this group, had 285 members. The median number of memberships for first year studios was 422.

Written substantiation for these representations will be made available to a prospective franchisee upon reasonable request.

[TABLE TO FOLLOW]

Table 19.1 – For 2023 Fiscal Year – First Year Studios
Franchise Outlets Financial Performance Representations:
Reasonable Basis for Financial Performance Representation: Franchised Outlets Historical Data

	Top Third		Middle Third		Bottom Third		All Locations	
	Average	Median	Average	Median	Average	Median	Average	Median
Revenue								
Membership	384,923.32	371,353.15	277,099.05	275,702.74	201,646.69	201,316.18	287,825.84	279,241.76
Retail ¹	56,509.00	54,087.28	36,570.01	35,613.20	25,674.09	26,144.92	39,566.53	35,777.95
Total Revenue ²	\$ 441,432.32	\$ 422,322.60	\$ 313,669.06	\$ 310,797.34	\$ 227,320.78	\$ 227,726.67	\$ 327,392.37	\$ 317,934.96
Wholesale Goods Purchased ³	38,249.99	37,025.58	23,175.11	22,678.67	16,219.64	17,179.75	25,865.56	22,609.01
Gross Profit ⁴	403,182.33	394,020.56	290,493.95	291,370.88	211,101.14	211,721.95	301,526.80	345,048.43
Expenses								
Payroll and Taxes ⁵	93,286.05	98,613.19	74,566.41	71,195.03	68,888.48	69,190.23	78,887.92	76,378.48
Rent	57,226.05	57,640.65	62,093.50	63,315.00	63,348.19	64,440.48	60,896.37	61,779.06
Royalties ^{6, 17}	6,606.93	6,600.00	6,599.12	6,600.00	6,564.10	6,600.00	6,590.10	6,600.00
Accounting ⁷	3,025.10	2,396.64	2,051.88	1,248.52	2,778.20	1,108.89	2,615.04	1,451.64
Bank Charges	10,569.95	11,076.16	8,009.26	8,914.18	6,601.98	6,236.38	8,391.45	8,495.00
Insurance ⁹	5,530.75	5,564.11	5,617.29	5,374.53	5,696.46	5,670.15	5,614.85	5,565.75
Maintenance and Repairs	2,902.70	2,310.91	2,340.72	1,773.30	2,267.11	1,800.46	2,502.55	1,879.34
Marketing ^{10, 17}	28,910.39	27,787.51	27,245.06	25,930.49	26,690.37	25,539.22	27,613.09	26,201.93
Miscellaneous ¹¹	2,970.91	2,590.63	2,469.37	2,135.51	2,260.07	1,806.41	2,566.20	2,122.45
POS Fee ¹⁷	1,585.41	1,548.00	1,600.24	1,548.00	1,628.32	1,548.00	1,604.63	1,548.00
Staff Incentives	1,262.18	762.68	696.88	44.15	491.27	112.50	816.07	250.00
Supplies	4,845.04	4,544.66	4,110.48	3,885.58	3,153.80	2,994.03	4,036.88	3,713.60
Taxes and Licenses ¹²	1,098.92	-	835.61	183.36	595.03	-	843.14	25.00
Telephone and Internet	4,038.26	3,702.18	4,039.56	3,666.44	3,957.31	3,627.61	4,011.87	3,658.59
Travel ¹³	2,649.36	2,205.00	2,055.21	1,445.39	1,538.45	1,004.21	2,080.86	1,483.92
Utilities ¹⁴	18,703.51	16,594.05	16,331.27	17,219.78	16,226.73	16,337.09	17,082.70	16,572.35
Virtual Instructor Fee ^{15, 17}	1,844.07	1,855.00	1,779.72	1,860.00	1,782.04	1,742.50	1,801.81	1,830.00
Expense Totals	\$ 247,055.57	\$ 248,964.26	\$ 222,441.59	\$ 218,817.25	\$ 214,467.90	\$ 211,085.15	\$ 227,955.53	\$ 227,878.89
EBITDA ¹⁶	\$ 156,126.76	\$ 136,596.63	\$ 68,052.36	\$ 70,141.76	\$ (3,366.76)	\$ (2,168.79)	\$ 73,571.27	\$ 70,141.76

Of the Top Third outlets, 26 outlets (46%) met or exceeded the revenue average listed in Table 19.1. Of the Middle Third outlets, 27 outlets (47%) met or exceeded the revenue average listed in Table 19.1. Of the Bottom Third outlets, 29 outlets (52%) met or exceeded the revenue average listed in Table 19.1. Of all first full year franchise outlets, 79 outlets (47%) met or exceeded the revenue average listed in Table 19.1. Of all first full year operational outlets, 142 outlets (84%) had an EBITDA reflecting a profit for the 2023 Fiscal Year. Of all first full year operational outlets, 27 outlets (16%) had an EBITDA reflecting a loss for the 2023 Fiscal Year. The range of these losses was \$-(2,903) to \$-(102,147).

In 2023, there were 110 franchise outlets that conducted pre-sale and soft opened in 2023. Pre-sale occurs prior to soft opening and typically ranges between 60 to 120 days. Revenue collected during this time is primarily from enrollment fees and retail products including vending items. The foregoing studios are not represented in the chart illustrated in Table 19.1 due to having only a partial year of financial data.

Of the 110 franchise outlets that conducted pre-sale and soft opened during 2023, the average revenue generated during the pre-sale period was \$20,294.56 with a median of \$17,195.13. The

highest amount of revenue for this group totaled \$59,013.36 and the lowest reported total was \$894.16.

Of the 110 franchise outlets that conducted pre-sale and soft opened during 2023, the average number of memberships sold prior to soft opening was 241. The highest number of memberships sold was 532 and the lowest number of memberships sold was 147. The median number of memberships sold during pre-sale was 217.

The average increase in EBITDA between first-and second-year studios was 43%, with a median increase in EBITDA between first and second-year studios of 13%.

Note 1: “Retail” includes retail sales, vending machine sales, and net gift card sales.

Note 2: “Total Revenue” means income generated from normal business operations and is the gross revenue figure from which operating costs/expenses are subtracted to determine EBITDA.

Note 3: “Wholesale Goods Purchased” means the total cost for wholesale goods purchases during the 2023 fiscal year.

Note 4: “Gross Profit” means Total Revenue minus Wholesale Goods Purchased.

Note 5: “Payroll and Taxes” refers to payroll and associated payroll taxes.

Note 6: These franchise outlets paid royalties of \$550.00 or \$595.00 per month in accordance with the franchise agreement signed for that location. Monthly royalty payments increased from \$550 to \$595 per month in 2023. See Item 6.

Note 7: These figures also include charges for monthly QuickBooks fee.

Note 8: These figures include merchant fees and fees for Nayax and Greenlite vending machine card reader services.

Note 9: These figures relate to the cost for required insurance. Payment plans for insurance premiums vary with some paying premiums on an annual basis and others paying on periodic installment basis.

Note 10: These expenses include Social Made Simple, Higher Visibility, Marq, SOCi, DYNAMIX, and the monthly SAIL fees. In April 2024, Drive became a social media advertising, search engine optimization and google advertising approved vendor on a trial basis. Franchisor will begin billing Marq and SOCI fees following completion of marketing on-boarding call and DYNAMIX fee during pre-marketing. Franchisees are required to spend a minimum of \$2,000.00 or 10% of gross monthly revenue, whichever is greater, on local advertising but are not prohibited from spending more if they choose to do so. Your required monthly spending will decrease to 5% of your gross revenue once your NET EFT reaches a monthly minimum of \$30,000.00 USD. Should your monthly NET EFT drop below \$30,000.00 USD, the monthly spend will increase to

10% of gross revenue or \$2,000 a month, whichever is greater. See Sections 10.1 and 13.2 of Franchise Agreement.

Note 11: These figures relate to operating costs that do not typically fit into one of the other categories on the list of expenses. These figures also include the Secret Shopper inspection fee and RockBot subscription fee.

Note 12: These figures account for such things as franchise taxes, taxes on assets and licenses. These figures do not include amounts for sales tax or payroll taxes. The amount and payment period for taxes and/or license fees varies depending on geographic location.

Note 13: The required convention fee varies depending on the effective date of the franchise agreement. The annual convention fee ranges from \$590.00 - \$790.00 for two attendees. See Item 6.

Note 14: These figures also include monthly expenses related to Master Telecom/Brivo.

Note 15: The Virtual Instructor fee will vary depending on the number of saunas a franchisee has. These figures also include the monthly Diet TRAX fee. The Virtual Instructor fee increased from a monthly fee of \$10.00 per sauna to a monthly fee of \$20.00 per sauna in 2023. See Item 6.

Note 16: “EBITDA” is defined as earnings before interest, taxes, depreciation, and amortization, is a measure of a company’s overall financial performance and is used as an alternative to simple earnings or net income.

Note 17: Franchisor will begin billing monthly royalty, VI license, and Diet TRAX fees the first month after Franchisee’s operations begin. Franchisor will begin billing the monthly Tech fee in the month following the signing of your Franchise Agreement. Franchisor will begin billing SAIL fee and POS fee upon installation of software for pre-sale.

Second Year Operational Studios 2023 Financial Performance Representations:

Reasonable Basis for Financial Performance Representation: Franchised Outlets Historical Data

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

These studios are substantially similar to the studio you will operate if you decide to become a franchisee.

All of the 82 studios accounted for below are second full-year businesses. Table 19.2 is based on historical financial data related to those 82 studios as reported by franchisees, which is provided to us by our proprietary software for our franchised locations. The financials are unaudited. The accuracy of the reported figures is not verified by HOTWORX.

The group franchise outlets have been classified into thirds: Top, Middle, and Bottom. There is a range of performance within each group.

The leading franchise outlet out of the 82 second full-year outlets, the franchise outlet with the highest EBITDA within this group, had annual Total Revenues for the 12 months of fiscal year 2023 of \$850,174 with an EBITDA of \$517,996

The last outlet, the franchise outlet with the lowest EBITDA within this group, had annual Total Revenues for the 12 months of fiscal year 2023 of \$112,468 with an EBITDA of \$-(96,609).

The average number of memberships for second year studios was 466. The leading franchise outlet of the 82 second-year outlets, the franchise outlet with the highest EBITDA within this group, had 1,068 members. The last outlet in the 82 second year outlets, the franchise outlet with the lowest EBITDA within this group, had 140 members. The median number of memberships for second-year studios was 418.

Written substantiation for these representations will be made available to a prospective franchisee upon reasonable request.

[TABLE TO FOLLOW]

**Table 19.2 – For 2023 Fiscal Year – Second Year Studios
Franchise Outlets Financial Performance Representations:**

Reasonable Basis for Financial Performance Representation: Franchised Outlets Historical Data

	Top Third		Middle Third		Bottom Third		All Locations	
	Average	Median	Average	Median	Average	Median	Average	Median
Revenue								
Membership	445,831.47	421,885.38	312,912.76	315,308.87	234,382.51	238,024.54	330,821.16	310,389.87
Retail ¹	50,016.45	48,772.05	32,139.67	30,442.65	22,159.63	20,910.16	34,739.82	31,158.49
Total Revenue ²	\$ 495,847.91	\$ 478,766.63	\$ 345,052.44	\$ 346,113.63	\$ 256,542.15	\$ 258,603.92	\$ 365,560.97	\$ 336,370.19
Wholesale Goods Purchased ³	34,100.76	33,868.28	23,481.96	22,034.27	16,371.14	14,621.56	24,637.03	22,592.48
Gross Profit ⁴	461,747.15	437,743.88	321,570.48	323,393.49	240,171.01	244,814.80	340,923.95	362,245.42
Expenses								
Payroll and Taxes ⁵	86,542.69	82,883.15	79,537.08	79,774.36	73,158.61	78,937.52	79,743.58	79,615.25
Rent	58,884.39	54,452.07	69,480.23	67,989.64	69,498.65	67,676.79	65,997.42	65,785.66
Royalties ^{6, 17}	6,585.19	6,600.00	6,576.79	6,600.00	6,752.18	6,600.00	6,637.30	6,600.00
Accounting	2,739.44	1,755.74	2,278.66	1,537.92	1,475.80	1,030.00	2,166.02	1,134.38
Bank Charges	12,465.98	12,520.47	7,751.20	9,029.50	6,760.21	7,987.73	8,977.33	8,937.54
Insurance ⁹	6,839.01	5,185.44	5,977.22	6,253.96	4,406.53	4,787.68	5,743.80	5,389.13
Maintenance and Repairs	3,980.65	3,229.17	3,320.49	3,300.16	2,572.60	2,118.43	3,291.61	2,921.50
Marketing ^{10, 17}	28,311.83	27,726.04	26,890.55	26,406.02	26,506.26	26,103.48	27,232.00	26,218.74
Miscellaneous ¹¹	2,512.17	2,487.43	2,431.62	2,490.30	2,031.99	1,974.00	2,326.56	2,101.13
POS Fee ¹⁷	1,668.95	1,548.00	1,745.11	1,548.00	1,584.18	1,548.00	1,667.04	1,548.00
Staff Incentives	836.26	430.00	543.50	196.20	610.29	12.34	661.89	186.20
Supplies	5,297.53	4,868.89	4,830.73	4,375.96	3,316.99	2,099.56	4,486.01	4,464.12
Taxes and Licenses ¹²	872.26	436.25	1,736.12	407.58	1,103.64	200.00	1,243.43	279.76
Telephone and Internet	4,006.19	3,750.35	4,104.21	3,938.06	3,853.30	3,290.79	3,989.32	3,726.96
Travel ¹³	2,876.50	2,014.21	2,229.28	1,223.88	1,426.54	844.43	2,178.07	1,427.84
Utilities ¹⁴	18,961.72	17,484.57	17,262.58	16,807.58	16,802.97	16,940.70	17,670.72	16,961.95
Virtual Instructor Fee ^{15, 16}	1,760.70	1,740.00	1,693.71	1,740.00	1,744.96	1,740.00	1,732.65	1,740.00
Expense Totals	\$ 245,141.47	\$ 238,826.64	\$ 238,389.10	\$ 244,792.53	\$ 223,605.73	\$ 215,082.06	\$ 235,744.74	\$ 234,381.18
EBITDA ¹⁸	\$ 216,605.68	\$ 192,358.91	\$ 83,181.38	\$ 79,481.38	\$ 16,565.28	\$ 18,941.48	\$ 105,179.20	\$ 79,481.38

Of the Top Third outlets, 9 outlets (33%) met or exceeded the revenue average listed in Table 19.2. Of the Middle Third outlets, 14 outlets (50%) met or exceeded the revenue average listed in Table 19.2. Of the Bottom Third outlets, 15 outlets (56%) met or exceeded the revenue average listed in Table 19.2. Of all second-year operational franchise outlets, 33 outlets (40%) met or exceeded the revenue average listed in Table 19.2. Of all second full year operational outlets, 4 outlets (5%) had an EBITDA reflecting a loss for the 2023 Fiscal Year. The range of these losses was \$-(2,789) to \$-(96,670).

The average increase in EBITDA between first- and second-year studios was 43%, with a median increase in EBITDA between first- and second-year studios of 13%, while the average increase in EBITDA between second- and third-year studios was 25%, with a median increase in EBITDA between second- and third-year studios of 17%.

Note 1: “Retail” includes retail sales, vending machine sales, and net gift card sales.

Note 2: “Total Revenue” means income generated from normal business operations for the full 12-month period during the 2023 fiscal year and is the gross revenue figure from which operating costs/expenses are subtracted to determine EBITDA.

Note 3: “Wholesale Goods Purchased” means the total cost for wholesale goods purchases during the 2023 fiscal year.

Note 4: “Gross Profit” means Total Revenue minus Wholesale Goods Purchased.

Note 5: “Payroll and Taxes” refers to payroll and associated payroll taxes.

Note 6: These franchise outlets paid royalties of \$550.00 or \$595.00 per month in accordance with the franchise agreement signed for that location. Monthly royalty payments increased to from \$550 to \$595.00 per month in 2023. See Item 6.

Note 7: These figures also include charges for monthly QuickBooks fee.

Note 8: These figures include merchant fees and fees for Nayax and Greenlite vending machine card reader services.

Note 9: These figures relate to the cost for required insurance. Payment plans for insurance premiums vary with some paying premiums on an annual basis and others paying on periodic installment basis.

Note 10: These expenses include Social Made Simple, Higher Visibility, Marq, SOCi, DYNAMIX, and the monthly SAIL fees. In April 2024, Drive became a social media advertising approved vendor on a trial basis. Franchisees are required to spend a minimum of \$2000.00 or 10% of gross monthly revenue, whichever is greater, on local advertising but are not prohibited from spending more if they choose to do so. Your required monthly spending will decrease to 5% of your gross revenue once your NET EFT reaches a monthly minimum of \$30,000.00 USD. Should your monthly NET EFT drop below \$30,000.00 USD, the monthly spend will increase to 10% of gross revenue or \$2,000 a month, whichever is greater. See Sections 10.1 and 13.2 of Franchise Agreement.

Note 11: These figures relate to operating costs that do not typically fit into one of the other categories on the list of expenses. These figures also include the monthly Secret Shopper inspection fee and RockBot subscription fee.

Note 12: These figures account for such things as franchise taxes, taxes on assets and licenses. These figures do not include amounts for sales tax or payroll taxes. The amount and payment period for taxes and/or license fees varies depending on geographic location.

Note 13: The required convention fee varies depending on the effective date of the franchise agreement. The annual convention fee ranges from \$590.00 - \$790.00 for two attendees. See Item 6.

Note 14: These figures also include monthly expenses related to Master Telecom/Brivo.

Note 15: The Virtual Instructor fee will vary depending on the number of saunas a franchisee has. The Virtual Instructor fee increased from a monthly fee of \$10.00 per sauna to a monthly fee of \$20.00 per sauna in 2023. These figures also include the monthly Diet TRAX fee. See Item 6.

Note 16: “EBITDA” is defined as earnings before interest, taxes, depreciation, and amortization, is a measure of a company’s overall financial performance and is used as an alternative to simple earnings or net income.

Note 17: Franchisor will begin billing monthly royalty, VI license, and Diet TRAX fees the first month after Franchisee’s operations begin. Franchisor will begin billing monthly Tech fee in the month following the signing of your Franchise Agreement. Franchisor will begin billing SAIL fee and POS fee upon installation of software for pre-sale.

Written substantiation for these representations will be made available to a prospective franchisee upon reasonable request.

All Operational Studios 2023 Financial Performance Representations:

Reasonable Basis for Financial Performance Representation: Franchised Outlets Historical Data

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

These studios are substantially similar to the studio you will operate if you decide to become a franchisee.

During the 2023 fiscal year, HOTWORX had 401 operational franchise outlets that were opened for all twelve months of 2023. The following representations are based on the performance of these 401 studios.

The franchise outlets have been classified into thirds: Top, Middle, and Bottom. There is a range of performance within each group.

The leading franchise outlet out of the 401 outlets, the studio with the highest EBITDA within this group, had annual Total Revenues of \$850,174 with an EBITDA of \$518,786.

The last outlet in the 401 outlets, the studio with the lowest EBITDA within this group, had annual Total Revenues in 2023 of \$209,489 with an EBITDA of $-(102,147)$.

The average number of memberships for these 401 studios was 463. The leading franchise outlet of these 401 studios, the studio with the highest EBITDA within this group, had 1,068 members. The last outlet of these 401 studios, the studio with the lowest EBITDA within this group, had 285 members. The median number of memberships for the 401 studio outlets was 441.

During the 2023 fiscal year, the average weekly usage rate for the 401 operational franchise outlets was 29% with a high of 36.8% and a low of 24.3%. The median weekly usage rate was 27.81%. The usage rate measures the total number of memberships utilized by active members per week. The usage rate is equal to the total number of active members at week's end divided by the number of active members who booked at least one (1) session during the week.

During 2023 fiscal year, the average monthly cancellation rate for the 401 operational franchise outlets was 5.78% with a high of 6.9% and a low of 5.1%. The median cancellation rate was 5.6%. The cancellation rate measures the total number of active members versus the total number of membership cancellations by month, calculated by the total active members at month end for each studio divided by the total number of cancellations at months end.

Written substantiation for these representations will be made available to a prospective franchisee upon reasonable request.

General Notes to Item 19:

Other than the preceding financial performance representation, HOTWORX 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 Nancy Price, our Senior Vice President of Franchise Recruitment at 5145 Taravella Rd, Marrero, LA 70072 and at nancy@hotworx.net, the Federal Trade Commission, and the appropriate state regulatory agencies.