

## **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.

#### **GROSS PROFIT MARGIN, ANNUAL GROSS REVENUE, CUSTOMER AND GROSS REVENUE PER CUSTOMER AVERAGES AND RANGES---2023**

As of December 31, 2023, there were 7 company owned locations (10 licenses) and 44 franchised locations operating. Of the franchised locations, 38 had been operating for 5 years or more, and 6 had been operating for less than 5 years.

We present the following information:

1. a 2023 gross profit margin analysis for the 6 company locations in operation for 5 years or more;
2. a 2023 annual gross revenue analysis for the 6 company locations in operation for 5 years or more;
3. 2023 customer analysis for the 6 company locations in operation for 5 years or more;
4. 2023 gross revenue per customer analysis for the 6 company locations in operation for 5 years or more;
5. a 2023 annual gross revenue analysis for the 38 franchised locations in operation for 5 years or more;
6. a 2023 customer analysis for the 38 franchised locations in operation for 5 years or more;
7. a 2023 gross revenue per customer analysis for the 38 franchised locations in operation for 5 years or more.

To the extent your proposed trade area comprises a trade area that is geographically different from the trade areas of the locations included in this analysis, it is likely that the operational results of your business will vary materially from the results of these locations. You should consider carefully the difference between the trade area in which you plan to locate your business and the trade areas of the locations from which the information in this Item 19 was gathered. Variables which differ from region to region, and which are likely to materially affect the gross revenue and costs of your business, may include, among others, general population of the trade areas, general economic conditions in the trade areas, recognition and patronage of the Marks, the products and services offered by your business, competition and price of competitive products and services in the trade areas, and your ability to generate repeat customers and create customer loyalty. Since most satisfied customers use the same lawn care service from year to year, the customer base of a lawn care business tends to be cumulative.

Accordingly, the gross revenue of a lawn care business tends to be cumulative based on the number of years the business has been operating.

Written substantiation for the financial performance representation will be made available to the prospective franchisee upon reasonable request.

The financial performance representation figures do not reflect all the cost of sales or operating expenses that should be deducted from the gross revenue or gross sales figures to obtain your net income or profit. The best source of cost and expense data may be from our franchisees or former franchisees.

**Some outlets have earned this amount. Your individual results may differ. There is no assurance that you'll earn as much.**

### **1. Gross Profit Margin Analysis**

The following gross profit margin analysis contains information solely from our 6 company locations that were open for 5 or more years, and the entire calendar year 2023. The 6 company locations are in Damascus, Maryland, Virginia Beach, Virginia, Richmond, Virginia, Manassas, Virginia, Greenville, South Carolina, and Fairfield, New Jersey. Data concerning franchised businesses are not included, due to insufficient information from our franchisees. We do not know whether including such data, if available, would materially affect the gross profit margin analysis shown.

Revenue	100%
Cost of Goods	16.2-20.2
Cost of Direct Labor	18.2-34.1
Cost of Sales	36.4-55.2
Gross Profit Margin	44.8-63.6

The cost of goods as a percentage of revenues in 2023 ranged from 16.2%-20.2%. We attribute this variance primarily to factors such as the cost of materials purchased by location, pricing of our lawn care services, and variances in the efficiency of lawn care applications.

The cost of direct labor as a percentage of revenues in 2023 ranged from 18.2%-34.1. These direct labor costs include only compensation (excluding payroll taxes and fringe benefits) for employees directly performing lawn care services. Compensation for administrative and/or office personnel is excluded. The variance in direct labor is primarily due to the economic climate of the location and may include different levels of compensation for locations employing more experienced personnel, rather than entry-level personnel.

The gross profit margins of our 6 company locations were 44.8%-63.6% in 2023. The gross profit margins were used to cover certain costs and expenses you may incur on a regular operating basis, such as: advertising, marketing, rent, utilities, insurance, debt service, service fees, and other miscellaneous expenses. Results will vary based on the amount of your readily available working capital, the amount of marketing and promotion you implement, and the size of your territory.

This analysis does not contain complete information concerning operating costs. You should consult with your tax advisor regarding depreciation and amortization schedules and the period over which the assets of the Business may be amortized or depreciated, as well as the effect, if any, of recent or proposed tax legislation.

## **2. Annual Gross Revenue Analysis**

The following table analyzes un-audited annual gross revenue information reported by the 6 company locations in operation for 5 years or more for the 12-month period ending December 31, 2023.

### **Annual Gross Sales Revenue Averages Company Owned Locations**

# Physical Locations	Count / Percentage	License Length	High & Low	Annual Average	Average Per Month	Median
	3/50%	5 years or more	\$33,492,787/ \$425,780	\$1,686,792	\$140,566	\$1,405.019

## **3. Customer Analysis**

The following table analyzes un-audited customer information reported by the 6 company locations in operation for 5 years or more for the 12-month period ending December 31, 2023.

### **Average Number of Customers Company Owned Locations**

# Physical Locations	Count / Percentage	License Length	High & Low	Annual Average	Median
6	3/50%	5 years or more	4,579/640	2,268	1,866

## **4. Gross Revenue Per Customer Analysis**

The following table analyzes un-audited gross revenue per customer information reported by the 6 company locations in operation for 5 years or more for the 12-month period ending December 31, 2023.

### **Average Gross Sales Revenue Per Customer Company Owned Locations**

# Physical Locations	Count / Percentage	License Length	High & Low	Annual Average	Median
7	3/50%	5 years or more	763/665	\$734	\$752

## **5. Annual Gross Revenue Analysis**

The following table analyzes un-audited annual gross revenue information reported by the 38 franchised locations in operation for 5 years or more for the 12-month period ending December 31, 2023.

### **Annual Gross Sales Revenue Averages Franchised Locations**

# Physical Locations	Count / Percentage	License Length	High & Low	Annual Average	Average Per Month	Median
38	19/50%	5 years or more	\$99,631,091/ \$222,724	\$2,227,373	\$185,614	\$1,083,400

## **6. Customer Analysis**

The following table analyzes un-audited customer information reported by the 38 franchised locations in operation for 5 years or more for the 12-month period ending December 31,2023.

### **Average Number of Customers Franchised Locations**

# Physical Locations	Count / Percentage	License Length	High & Low	Annual Average	Median
38	19/50%	5 years or more	\$8,808/\$401	2,887	1,530

## **7. Gross Revenue Per Customer Analysis**

The following table analyzes un-audited gross revenue per customer information reported by the 38 franchised locations in operation for 5 years or more for the 12-month period ending December 31,2023.

### **Average Gross Sales Revenue Per Customer Franchised Locations**

# Physical Locations	Count / Percentage	License Length	High & Low	Annual Average	Median
38	19/50%	5 years or more	\$1,624/\$448	\$739	\$730

Other than the preceding financial performance representation, we do 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 Philip Catron at 1 East Church Street, Frederick, Maryland 21701, (301) 694-5440, support@naturalawn.com, the Federal Trade Commission, and the appropriate state regulatory agencies.

## **ITEM 20 OUTLETS AND FRANCHISEE INFORMATION**

**TABLE #1  
SYSTEM WIDE OUTLET SUMMARY  
FOR YEARS 2021 TO 2023**

OUTLET TYPE	YEAR	OUTLETS AT THE START OF THE YEAR	OUTLETS AT THE END OF THE YEAR	NET CHANGE
<b>Franchised</b>	2021	79	81	2
	2022	81	84	3
	2023	84	89	5
<b>Company-Owned</b>	2021	11	11	0
	2022	11	12	1
	2023	12	10	-2
<b>Total Outlets</b>	2021	90	92	2
	2022	92	96	4
	2023	96	99	3

**TABLE #2**