

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.

Written substantiation of the data used in preparing the following financial performance representation will be made available to you upon reasonable request.

Some affiliate locations sold these amounts. Your individual results may vary. There is no assurance that you will sell as much.

Table 1 discloses the historical performance of each affiliate-owned location that was open for the entire 2024 calendar year (the “2024 Measurement Period”). The studio labelled Studio 1 has the same financial and operational characteristics as those being offered pursuant to this disclosure document and do not otherwise materially differ from what you would operate as a franchisee. Studio 2, however, although it operated under the same trademarks, is unable to offer several key services and features. Namely, it does not offer contrast therapy or cold plunge, and it does not have showers. Studio 2 is being relocated to a new site in order to offer these services. As of the issuance date of this Disclosure document Studio 2 has terminated its original lease and entered into a new lease. However, it has not yet completed its relocation.

Table 1 – Profit and Loss for Calendar Year 2024

	Studio 1	% of Rev.	Studio 2	% of Rev.	Average/Median	% of Rev.
Gross Revenue	738,070	100.0%	482,725	100.0%	610,397	100.0%
Cost of Goods Sold	66,837	9.1%	43,044	8.9%	54,940	9.0%
Gross Profit	671,233	90.9%	439,682	91.1%	555,457	91.0%
<i>Expenses</i>						
Advertising & Marketing	31,900	4.3%	51,106	10.6%	41,503	6.8%
Insurance	5,275	0.7%	3,412	0.7%	4,343	0.7%
Office Expenses	10,058	1.4%	10,305	2.1%	10,182	1.7%
Payroll Expenses	137,648	18.6%	93,674	19.4%	115,661	18.9%
Rent & Lease	56,401	7.6%	98,476	20.4%	77,439	12.7%
Repairs & Maintenance	4,796	0.6%	4,071	0.8%	4,434	0.7%
Taxes	4,446	0.6%	2,932	0.6%	3,689	0.6%
Utilities	17,030	2.3%	2,791	0.6%	9,910	1.6%
Total Expenses	267,554	36.3%	266,767	55.3%	267,160	43.8%
Net Operating Income	403,679	54.7%	172,915	35.8%	288,297	47.2%
<i>Estimated Fees</i>						
Royalties	51,665	7.0%	33,791	7.0%	42,728	7.0%
Brand Fund	7,381	1.0%	4,827	1.0%	6,104	1.0%
Total Estimated Fees	59,046	8.0%	38,618	8.0%	48,832	8.0%
Net Income Adjusted, OO	344,633	46.7%	134,297	27.8%	239,465	39.2%
Studio Manager Payroll Expenses	61,096	8.3%	50,986	10.6%	56,041	9.2%
Net Income Adjusted, Investor	283,537	38.4%	83,311	17.3%	183,424	30.0%

Table 2 Profit and Loss for First Quarter 2025

Table 2 discloses the historical performance of 3 affiliate-owned locations for the first quarter of 2025 (the “2025 Measurement Period”). Studio 2 was excluded from this table on the basis that it is in the process of being relocated and was in the process of winding down operations during the 2025 Measurement period. Except for Studio 2, each disclosed location has the same financial and operational characteristics as those being offered pursuant to this disclosure document and do not otherwise materially differ from what you would operate as a franchisee.

	Studio 1	% of Rev.	Studio 3	% of Rev.	Studio 4	% of Rev.	Average	% of Rev.	No. Above/Below	Median
Gross Revenue	181,459	100.0%	137,586	100.0%	156,307	100.0%	158,451	100.0%	1/2	156,307
Cost of Goods Sold	19,269	10.6%	12,047	8.8%	16,452	10.5%	15,922	10.0%	2/1	16,452
Gross Profit	162,190	89.4%	125,539	91.2%	139,855	89.5%	142,528	90.0%	1/2	
<i>Expenses</i>										
Advertising & Marketing	8,234	4.5%	8,308	6.0%	12,293	7.9%	9,612	6.1%	1/2	8,308
Insurance	1,382	0.8%	1,094	0.8%	1,731	1.1%	1,402	0.9%	1/2	1,382
Office Expenses	2,649	1.5%	3,248	2.4%	2,866	1.8%	2,921	1.8%	1/2	2,866
Payroll Expenses	27,191	15.0%	25,280	18.4%	29,034	18.6%	27,169	17.1%	2/1	27,191
Rent & Lease	13,078	7.2%	13,832	10.1%	23,276	14.9%	16,728	10.6%	1/2	13,832
Repairs & Maintenance	679	0.4%	329	0.2%	--	0.0%	336	0.2%	1/2	329
Taxes	--	0.0%	--	0.0%	--	0.0%	--	0.0%		--
Utilities	3,866	2.1%	2,920	2.1%	6,188	4.0%	4,325	2.7%	1/2	3,866
Total Expenses	57,079	31.5%	55,011	40.0%	75,389	48.2%	62,493	39.4%	1/2	57,079
Net Operating Income	105,112	57.9%	70,528	51.3%	64,466	41.2%	80,035	50.5%	1/2	70,528
<i>Estimated Fees</i>										
Royalties	12,702	7.0%	9,631	7.0%	10,941	7.0%	11,092	7.0%	1/2	10,941
Brand Fund	1,815	1.0%	1,376	1.0%	1,563	1.0%	1,585	1.0%	1/2	1,563
Total Estimated Fees	14,517	8.0%	11,007	8.0%	12,505	8.0%	12,676	8.0%	1/2	12,505
Net Income Adjusted, OO	90,595	49.9%	59,521	43.3%	51,962	33.2%	67,359	42.5%	1/2	59,521
Studio Manager Payroll Expenses	17,295	9.5%	12,672	9.2%	14,441	9.2%	8,882	5.6%	3/0	14,441
Net Income Adjusted, Investor	73,300	40.4%	46,849	34.1%	37,520	24.0%	58,477	36.9%	1/2	46,849

Explanatory Notes to Tables 1 and 2

1. *Gross Sales* means all gross receipts, less tips and sales tax and represents the amount upon which will base your Royalty Fee, Local Advertising Requirement and Fund Contribution under your Franchise Agreement with us.
2. *COGS* means all variable cost inputs to facilitate customer sales, including equipment-related consumables, medical supplies and other usage-based costs.
3. *Gross Profit* means Gross Sales less COGS.
4. *Advertising and Marketing* means the actual local marketing expenditures of the location. Your requirements will include \$12,000 of Presale Marketing and an annual Local Marketing Requirement of \$2500 per month (\$30,000 per year).
5. *Insurance* means the actual amounts expended on insurance in the operation of the Studio.
6. *Office Expenses* means general cleaning supplies/services, office supplies, postage, and software.
7. *Payroll Expenses* means all hourly and salaried labor excluding general managers, including based wages, payroll taxes, and benefits. This definition excludes the cost of multi-unit managers.

8. *Rent and Lease* means base rent and all related NNN (triple net) costs, including common area maintenance, insurance, and tax-related obligations under the Lease.
9. *Repairs and Maintenance* means all standard maintenance items, including HVAC maintenance, electrical maintenance, necessary repair items, and any equipment repairs.
10. *Taxes* means all taxes, including property taxes, incurred in the operation of the Studio.
11. *Utilities* means the following utility expenses electric, water, power, internet and phone.
12. *Net Income Adjusted, OO* means Gross Profit less all of the aforementioned expenses. This number excludes the costs associated with a general manager and intend to show the income of this studio the franchisee was an owner operator (“OO”). This data does not include or account for any other operating costs or expenses that are not specifically identified in this Explanatory Note.
13. *Net Income Adjusted, Investor* means *Net Income Adjusted, OO* less the costs associated with a general manager and intend to show the income of this studio the franchisee was an investor. This data does not include or account for any other operating costs or expenses that are not specifically identified in this Explanatory Note. Note, we further assume that your general manager will report directly to you. Our affiliate locations report into high level manager whose expenses are not disclosed given this role is not required or recommended.
14. *Estimated Royalties* (Calculated at 7% of *Gross Sales*) means the calculated estimated Royalty Fees a location would have been required to pay had it been a franchise operating pursuant to this Franchise Disclosure Document. These affiliate owned location will contributed to the Fund in the future.
15. *Estimated Brand Fund Contribution* (Calculated at 1% of Adjusted Gross Sales) means the calculated estimated Brand Fund expenditures a location would have been required to pay had it been a franchise operating pursuant to this Franchise Disclosure Document.

Tables 3 and 4 show the percentage breakdown of clients as between members and non-members as well as the average spend per month by client type. For the purposes of this disclosure Client Type means either a Member who pays a monthly recurring fee, or a Non-Member who pays for services on an a la carte basis. No locations that operated during the entire measurement period were excluded from this table.

Table 3: Breakdown of Revenue by Client Type

Client Type	<u>Studio 1</u>	<u>Studio 2</u>	<u>Average/Median</u>
Members	82%	74%	79%
Non-Members	18%	26%	21%
Total Revenue	100%	100%	100%

Table 4: Average Spend per Month by Client Type

	<u>Studio 1</u>	<u>Studio 2</u>	<u>Average/Median</u>
<i>Members, average</i>			
Number per month	294	227	261
Spend per month	\$171	\$131	\$151
<i>Non-Members, average</i>			
Number per month	123	129	\$126
Spend per month	\$91	\$82	\$87

Table 5 contains information regarding membership sales for the most recently opened affiliate studio as of the date of this disclosure document (“Studio 4”). The affiliate studio opened December 7, 2024. For purposes of this table, a “Pre-Sale” means a membership that was sold prior to the studio opening.

**Table 5: Total Memberships Pre-Sales and Total Memberships for Studio 4
One Month after Opening**

	<u>Pre-Sales as of 12/07/24</u>	<u>Memberships as of 12/31/24</u>
Total	226	245

GENERAL NOTES TO ITEM 19

Characteristics of Affiliate Locations (disclosed consistent with 16 C.F.R. 436.5(s)(3)(ii)(F)).

Each of the Disclosed Affiliate Locations is located in Jacksonville, Florida or surrounding area, where our brand and concept have garnered goodwill and reputation over the years that these Affiliate Locations have been open and operating.

Studio 1 and Studio 2 of the Disclosed Affiliate Locations were open for some time as of the commencement of the 2024 calendar year. As such, the profit and loss information disclosed for certain of the disclosed affiliate locations of this Item did not incur certain of the startup/initial costs that might be incurred when first opening a Studio given their more mature operations.

Except as specifically disclosed above in this Item, we do not make any representations about a franchisee’s future financial performance or the past financial performance of company-owned or franchised outlets. 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 Amanda Watts c/o Degree Wellness Franchise, LLC, in writing, at 106 E. Liberty Street, Suite 310, Ann Arbor, Michigan 48104, or by phone at (734) 619-0919, the Federal Trade Commission, and the appropriate state regulatory agencies.

Item 20
OUTLETS AND FRANCHISEE INFORMATION

Table 1
System-wide Outlet Summary
For Years 2022 to 2024

Outlet Type	Year	Outlets at the Start of the Year	Outlets at the End of the Year	Net Change
Franchised	2022	0	0	0
	2023	0	0	0
	2024	0	0	0
Company Owned	2022	2	2	0
	2023	2	2	0
	2024	2	4	+2
Total Outlets	2022	0	0	0
	2023	2	2	0
	2024	2	4	+2

Our Studio Franchisees

See Exhibit E for the name, address, and telephone number of each of our current and former Degree Wellness Studio franchisees.

The name, city, state and telephone number for each Studio Franchisee that was terminated, not renewed, canceled, voluntarily or involuntarily ceased to do business under the franchise agreement during the 2023 fiscal year, or who has not communicated to us within 10 weeks of the issuance date of this disclosure document, is set forth in Exhibit E. **If you buy this franchise, your contact information may be disclosed to other buyers when you leave the franchise system.**

Table 2
Transfers of Outlet from Franchisees to New Owners (other than Franchisor)
For Years 2022 to 2024

State	Year	Number of Transfers
Total	2022	0
	2023	0
	2024	0

Table 3
Status of Franchised Outlets
For Years 2022 to 2024