

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) 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.

DEFINITIONS

- (a) Average – means the sum of all data points in a set, divided by the number of data points in that set.
- (b) Calendar Year – means, as to each respective year, the 12 month period commencing on January 1 and ending on December 31.
- (c) Company Owned Outlet – means an Outlet owned either directly or indirectly by us, our affiliate or any person identified in Item 2 of this Disclosure Document. A Company Owned Outlet also includes any Outlet that is operated as a joint venture owned in part by us, our affiliate or any person identified in Item 2 of this Disclosure Document, or that is managed by us our affiliate or any person identified in Item 2.
- (d) Franchise Outlet – refers to a Hammer & Nails Shop operated under a Franchise Agreement that is not a Company Owned Outlet.
- (e) Gross Sales – means the total revenue derived by each Hammer & Nails Shop less sales tax, discounts, allowances, and returns. Gross Sales does not include tips or gratuities paid directly to employees by customers of the Hammer & Nails Shop.
- (f) Median – means the data point that is in the center of all data points used. That number is found by examining the total number of data points and finding the middle number in that set. In the event the number of data points is an odd number, the median will be the center number. If the dataset contains an even number of data points, the median is reached by taking the two numbers in the middle, adding them together, and dividing by two.
- (g) New Franchise Outlet – means, as to a particular Calendar Year, a Franchise Outlet that for the first time opened and commenced operations during the Calendar Year. For example, if a Franchise Outlet first opened for business in February 2022, as to the 2022 Calendar Year, the Franchise Outlet would qualify as a New Franchise Outlet and not as an Operational Franchise Outlet (see definition below). If this Franchise Outlet remained in operation throughout the 2023 Calendar Year, it would qualify as an Operational Franchise Outlet during the 2023 Calendar Year.
- (h) Operational Franchise Outlet – means, as to a particular Calendar Year, a Franchise Outlet that was open and in operation prior to the commencement of the Calendar Year. For example, if a Franchise Outlet first opened for business in February 2022, as to the 2022 Calendar Year, the Franchise Outlet would qualify as a New Franchise Outlet (see definition above) and not as an Operational Franchise Outlet. If this Franchise Outlet remained in operation throughout the 2023 Calendar Year, it would qualify as an Operational Franchise Outlet during the 2023 Calendar Year.
- (i) Outlet – refers to a Hammer & Nails Shop that is either a Company Owned Outlet or a Franchise Outlet,

as the context requires.

(j) YOY Sales Growth – refers to the year over year calculation of the percentage of growth or decline of Gross Sales for each Outlet. YOY Sales Growth is calculated by comparing the Gross Sales of a particular Calendar Year with the Gross Sales for the next Calendar Year.

BASES AND ASSUMPTIONS

The financial information was not prepared on a basis consistent with generally accepted accounting principles. We do not have any Company Owned Outlets. Data for the Operational Franchise Outlets is based on financial information reported to us by our franchisees. The information in this analysis has not been audited, is based on historical financial data, and is not a forecast or projection of future financial performance.

ANALYSIS OF RESULTS OF OPERATIONAL FRANCHISE OUTLETS

During the 2023 Calendar Year we had a total of 31 Franchise Outlets. Of the 31 Franchise Outlets, 20 Outlets were Operational Franchise Outlets and 11 Outlets were New Franchise Outlets. During the 2024 Calendar Year we had a total of 43 Franchise Outlets. Of the 43 Franchise Outlets, 31 Outlets were Operational Franchise Outlets and 12 Outlets were New Franchise Outlets. In the tables below, we report data related to our Operational Franchise Outlets as to each respective Calendar Year reported below. We do not include data for New Franchise Outlets that were not open for the entire 2023 and 2024 Calendar Years.

Table 1

GROSS SALES DATA¹			
Operational Franchise Outlets			
	Calendar Year		
Gross Sales	2023	2024	YOY Sales Growth Percentage Change
Average	\$818,793 ²	\$892,965 ⁴	+9.06%
Median	\$791,574 ³	\$864,875 ⁵	+9.26%
High	\$920,193	\$1,845,735	+100.58%
Low	\$241,223	\$304,760	+26.34%
<p>¹ <u>Data Overview</u> – The data provided in this Table 1 is for Operational Franchise Outlets that were open for each of the respective Calendar Years reported in this Table 1. For the 2023 Calendar Year, data compiled in this Table 1 is based on 20 Operational Franchise Outlets that were open for the full 2023 Calendar Year. For the 2024 Calendar Year, data compiled in this Table 1 is based on 31 Operational Franchise Outlets that were open for the full 2024 Calendar Year.</p> <p>² <u>Average 2023</u> – There were nine Franchise Outlets above the Average and 11 below the Average.</p> <p>³ <u>Median 2023</u> – There were 10 Franchise Outlets above the Median and 10 below the Median.</p> <p>⁴ <u>Average 2024</u> – There were 13 Franchise Outlets above the Average and 18 below the Average.</p> <p>⁵ <u>Median 2024</u> – There were 15 Franchise Outlets above the Median and 15 below the Median.</p>			

Table 2

Operational Franchise Outlets for Three or More Years Gross Sales Data ¹		
	Calendar Year	
Gross Sales	2023	2024
Average	\$849,963 ²	\$972,982 ⁴
Median	\$834,886 ³	\$922,170 ⁵
High	\$1,669,013	\$1,845,735
Low	\$314,489	\$304,760
<p>¹ <u>Data Overview</u> – The data provided in this Table 2 is for Operational Franchise Outlets that were open for at least three full Calendar Years. For the 2023 Calendar Year, data compiled in this Table 2 is based on 11 Operational Franchise Outlets that were open for three or more full Calendar Years. For the 2024 Calendar Year, data compiled in this Table 2 is based on 15 Operational Franchise Outlets that were open for three or more full Calendar Years.</p> <p>² <u>Average 2023</u> – There were five Franchise Outlets above the Average and six below the Average.</p> <p>³ <u>Median 2023</u> – There were five Franchise Outlets above the Median and five below the Median.</p> <p>⁴ <u>Average 2024</u> – There were six Franchise Outlets above the Average and nine below the Average.</p> <p>⁵ <u>Median 2024</u> – There were seven Franchise Outlets above the Median and seven below the Median.</p>		

Table 3

Gross Sales By Quartiles ¹ All Operational Franchise Outlets 2023 Calendar Year					
Quartile	Average	Number & Percentage of Outlets Above Average	Median	Low	High
1 st Quartile	\$1,313,402	2 / 5 (40%)	\$1,167,081	\$1,121,912	\$1,669,013
2 nd Quartile	\$918,498	2 / 5 (40%)	\$916,864	\$809,028	\$1,111,519
3 rd Quartile	\$681,026	2 / 5 (40%)	\$689,531	\$582,746	\$774,120
4 th Quartile	\$362,242	2 / 5 (40%)	\$343,670	\$241,223	\$542,390
<p>¹ <u>Data Overview</u>: As to the 2023 Calendar Year, the data compiled in this Table 3 is based on 20 Operational Franchise Outlets. We do not include in this table the performance of New Franchise Outlets that opened and commenced operations during 2023.</p>					

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Table 4

Gross Sales By Quartiles¹ All Operational Franchise Outlets 2024 Calendar Year					
Quartile	Average	Number & Percentage of Outlets Above Average	Median	Low	High
1 st Quartile	\$1,424,725	2 / 8 (25%)	\$1,332,773	\$1,259,249	\$1,845,735
2 nd Quartile	\$972,458	3 / 8 (37.5%)	\$926,473	\$864,874	\$1,205,539
3 rd Quartile	\$674,137	3 / 8 (37.5%)	\$670,642	\$596,652	\$765,828
4 th Quartile	\$444,479	3 / 7 (42%)	\$425,948	\$304,760	\$567,776
¹ Data Overview: As to the 2024 Calendar Year, the data compiled in this Table 4 is based on 31 Operational Franchise Outlets. We do not include in this table the performance of New Franchise Outlets that opened and commenced operations during 2024.					

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

Written substantiation of the data used in preparing these sales figures will be made available to you upon reasonable request.

Other than the preceding financial performance representations, The Hammer & Nails Salon Group, LLC 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 Aaron Meyers, The Hammer & Nails Salon Group, LLC at 101 Parkshore Drive, Suite 100, Folsom, California 95630 and (916) 932-2150, the Federal Trade Commission, and the appropriate state regulatory agencies.

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ITEM 20
OUTLETS AND FRANCHISEE INFORMATION

TABLE NO. 1
SYSTEMWIDE 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	15	20	+5
	2023	20	31	+11
	2024	31	43	+12
Company Owned	2022	0	0	0
	2023	0	0	0
	2024	0	0	0
Total Outlets	2022	15	20	+5
	2023	20	31	+11
	2024	31	43	+12

TABLE NO. 2
TRANSFER OF OUTLETS FROM FRANCHISEES TO NEW OWNERS
(OTHER THAN THE FRANCHISOR)
FOR YEARS 2022 to 2024

State	Year	Number of Transfers
California	2022	0
	2023	1
	2024	1
Maryland	2022	0
	2023	0
	2024	3
Ohio	2022	0
	2023	1
	2024	1
Texas	2022	1
	2023	1
	2024	1
Virginia	2022	1
	2023	0
	2024	0
Total	2022	2
	2023	3
	2024	6