

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 for the FPR will be made available to you at ADQ's office in Minneapolis, Minnesota upon reasonable request.

Additional Information Regarding this FPR:

- A. The actual results included in this FPR relate to results for the restaurants described in the schedules. Prior to submitting an application for a franchise, ADQ strongly recommends that you contact several existing franchisees of your own choosing for information concerning a DQ Grill & Chill® restaurant. The financial results of a new DQ Grill & Chill® restaurant may vary considerably from older locations, which may have been originally developed as a Dairy Queen®/Brazier® restaurant. Neither ADQ nor any of its affiliates make any promises or representations of any kind that you will achieve any particular results or level of sales or profitability or even achieve break-even results in connection with the development of a new restaurant.
- B. You are responsible for developing your own business plan for your restaurant, including capital budgets, financial statements, projections and other elements appropriate to your particular circumstances. ADQ encourages you to consult with your own accounting, business, and legal advisors in doing so. In developing the business plan, you are cautioned to make necessary allowance for changes in financial results to income, expenses, or both, that may result from the operation of your restaurant in different geographic areas or new market areas, or during periods of, or in areas suffering from, economic downturns, inflation, unemployment, labor shortages or other negative economic influences.
- C. Historical costs do not necessarily correspond to future costs because of factors such as inflation, changes in minimum wage laws, location, financing, real estate and construction -related costs and other variables. All information should be evaluated in light of current market conditions including cost and price information as may then be available. Prospective franchisees must bear in mind that a newly opened business generally cannot be expected to achieve sales volumes or maintain expenses similar to those of an established business.
- D. This FPR does not include all start-up expenses and development costs for a new DQ Grill & Chill® restaurant. See Items 5, 6 and 7 of the disclosure document for estimates and other information pertaining to the fees and initial investment required for the development of a new restaurant. Similarly, the expenses identified in this FPR are not the only expenses that you will incur in connection with the operation of a DQ Grill & Chill® restaurant. You

may incur other additional expenses including, but not limited to, insurance, legal and accounting, interest on debt service, rent, depreciation/amortization, property taxes, and other taxes and licenses. You should conduct an independent investigation of the costs and expenses you will incur in operating your franchise. You should contact an accountant or other financial advisor to fully understand these matters and the impact they may have on your DQ Grill & Chill® restaurant.

SCHEDULES A and B

Schedules A and B disclose information about DQ Grill & Chill® restaurants that:

- were newly constructed freestanding restaurants developed under ADQ's new or additional restaurant development programs;
- were developed and first opened for business between January 1, 2014 and December 31, 2023;
- were operated and reported sales data to ADQ for all 12 months of the noted year; and
- are franchisee owned and operated.

This FPR does not include information about: (1) new DQ® restaurants developed in Texas (which have the "Texas Country Foods" cooked food menu and are offered under a separate disclosure document); (2) existing DQ® restaurants that have converted to the DQ Grill & Chill® restaurant's facility design, menu and trademark by remodeling an existing DQ® restaurant or replacing an existing DQ® restaurant with a new DQ Grill & Chill® restaurant design facility either at the same site or at a new location; (3) new DQ Grill & Chill® restaurants that were opened in a fuel center or other non-traditional location inside a host building such as a ferry terminal or mall; or (4) new DQ Grill & Chill® restaurants that were opened under a developmental rights contract or a franchise agreement granted by a territory operator.

Schedule A presents Gross Sales (as defined below and in the Operating Agreement) for all locations that meet the criteria above for inclusion in this FPR.

Schedule B includes information on certain categories of expenses and manageable profit for a subset of the locations listed in schedule A, based on the usable profit and loss statements ("P&Ls") these locations submitted to ADQ for the years 2021 through 2024.

The data in schedule A is based on sales reports submitted to ADQ by franchisees of the restaurants included in the schedule and the data in schedule B is based on information submitted on P&Ls from franchisees of the restaurants included in the schedule. ADQ has not audited or independently verified the results in the P&Ls or sales reports.

SCHEDULE A

Year	2021	2022	2023	2024
Average Annual Gross Sales	\$1,380,626	\$1,358,926	\$1,397,343	\$1,427,281
Number of Restaurants Meeting or Exceeding the Average	119	122	137	140
Percent of Restaurants Meeting or Exceeding the Average	48%	44%	44%	44%
High Annual Gross Sales	\$2,886,417	\$3,135,208	\$3,336,388	\$3,381,809
Median Annual Gross Sales	\$1,365,757	\$1,316,913	\$1,352,607	\$1,355,422
Low Annual Gross Sales	\$518,468	\$484,663	\$568,696	\$583,730
Number of Restaurants that Qualified for Inclusion	247	276	309	321
Number of Restaurants that Were Excluded Because They Were Not Open or Did Not Report Sales for All 12 Months of the Year	29	33	31	19

SCHEDULE B

Year	Category	Store Count	Straight Average	Maximum	Median	Minimum	# Meeting or Exceeding the Average	% Meeting or Exceeding the Average
2021	(1) Gross Sales	156	\$1,409,751	\$2,895,122	\$1,385,178	\$564,227	70	45%
	(2) Cost of Goods	156	29.80%	37.94%	29.74%	21.58%	80	51%
	(3) Labor	156	28.62%	43.45%	28.03%	21.03%	90	58%
	(4) Restaurant Controllables	156	10.05%	16.87%	9.99%	6.00%	79	51%
	(5) Manageable Profit	156	31.54%	44.53%	32.36%	11.34%	90	58%
Year	Category	Store Count	Straight Average	Maximum	Median	Minimum	# Meeting or Exceeding the Average	% Meeting or Exceeding the Average
2022	(1) Gross Sales	175	\$1,386,222	\$3,135,532	\$1,339,956	\$650,772	77	44%
	(2) Cost of Goods	175	31.84%	41.81%	31.50%	25.69%	95	54%
	(3) Labor	175	29.17%	43.56%	28.62%	20.57%	99	57%
	(4) Restaurant Controllables	175	10.83%	16.60%	10.63%	6.08%	92	53%
	(5) Manageable Profit	175	28.17%	41.66%	29.10%	7.58%	97	55%

Year	Category	Store Count	Straight Average	Maximum	Median	Minimum	# Meeting or Exceeding the Average	% Meeting or Exceeding the Average
2023	(1) Gross Sales	203	\$1,433,380	\$3,336,926	\$1,377,549	\$568,696	94	46%
	(2) Cost of Goods	203	30.39%	38.01%	30.46%	23.02%	100	49%
	(3) Labor	203	28.53%	42.38%	28.27%	20.50%	108	53%
	(4) Restaurant Controllables	203	10.61%	16.58%	10.28%	6.06%	113	56%
	(5) Manageable Profit	203	30.47%	44.20%	30.91%	13.62%	104	51%
Year	Category	Store Count	Straight Average	Maximum	Median	Minimum	# Meeting or Exceeding the Average	% Meeting or Exceeding the Average
2024	(1) Gross Sales	55	\$1,648,666	\$2,602,276	\$1,616,437	\$759,561	26	47%
	(2) Cost of Goods	55	30.69%	42.79%	30.53%	20.29%	29	53%
	(3) Labor	55	30.28%	38.67%	29.90%	25.70%	31	56%
	(4) Restaurant Controllables	55	10.11%	15.88%	9.75%	6.82%	29	53%
	(5) Manageable Profit	55	28.92%	41.52%	29.11%	15.58%	28	51%

Schedule B is based upon P&L information for restaurants that submitted usable P&Ls for one or more of the years 2021 through 2024. There were restaurants included in Schedule A that were excluded from Schedule B for one or more of the following reasons: (a) ADQ did not receive any P&Ls with 12 full months of data during the applicable time period, (b) the P&Ls showed a variance of 3% or more from the sales reports submitted to ADQ, or (c) the P&Ls submitted to ADQ had an obvious error in the data. The

number of restaurants included in Schedule A but excluded from Schedule B was as follows: 91 restaurants in 2021; 101 restaurants in 2022; 106 restaurants in 2023 and 285 restaurants in 2024.

Definitions and Notes to Schedules

1. **Gross Sales.** Gross sales, as used in this Item 19 and in the Operating Agreement, means the total revenues and receipts from the sale of all products sold by the Restaurant, whether paid for by cash, credit (not adjusted for credit card fees) or gift card, barter, or otherwise, including sales of all products under any of the Trademarks as well as sales of other products, services and merchandise, whether or not identified by other brand names, and excluding sales taxes and revenues and receipts arising directly from Licensee's sale of gift cards.
2. **Cost of Goods.** The cost of the food products that are sold to consumers and the associated paper purchases (based on beginning inventory plus purchases less ending inventory). The food products include ingredients, beverages, and condiments. The associated paper purchases include bags, product wraps and containers, other paper products, cups and lids, straws, and eating utensils.
3. **Labor.** The sum of crew labor wages, manager's wages and salary and other compensation, and related taxes and benefits. Labor does include payments that may be made to a franchisee or its owners in the form of a manager's salary or wages. Labor does not include payments that may be made to a franchisee or its owners in the form of an owner's draw, a dividend, or similar distributions. Because of the many forms through which franchisees may be compensated for their work in a store, not all stores paid a manager's salary and benefits. The Labor numbers used for purposes of this FPR were those included in the Profit and Loss reports received from franchisees without any adjustments for the manner in which the franchisees handle owner compensation.
4. **Restaurant Controllables.** The sum of utilities, telephone, local advertising, repairs and maintenance, service contractors, laundry and uniforms, operating supplies (other than inventory), trash and recycling, delivery service provider fees and commissions, and bank charges (other than debt service).
5. **Miscellaneous Expenses.** All miscellaneous expenses are rolled up into the total Restaurant Controllables percentage.
6. **Manageable Profit.** Profit remaining after deduction of sales taxes, discounts, Cost of Goods, Labor Cost and Restaurant Controllables, but before the deduction of occupancy costs, insurance (non-employment), continuing license fees, sales promotion program fees, legal fees, accounting fees and other administrative costs.
7. **Adjustments.** Any financial statement preparation includes certain estimates, accruals and reclassifications as common accounting period adjustments. These accounting adjustments generally are made to the most current accounting period included in the statement, unless they are deemed to be a material adjustment to a prior accounting period. If an adjustment is considered material, the prior accounting periods are restated to reflect the adjustment in the applicable period(s). ADQ does not know if any franchisee made any accounting period adjustments for their financial results.

Warning:

**Some Restaurants have earned the amounts reflected in this FPR.
Your individual results will differ. There is no assurance that you will earn as much.**

Other than the preceding financial performance representation, ADQ does not make any financial performance representations. ADQ also does not authorize its employees or representatives to make any such representations either orally or in writing. If you are purchasing an existing outlet, however, ADQ 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 Shelly H. O'Callaghan at 8000 Tower, Suite 700, 8331 Norman Center Drive, Bloomington, MN 55437 or by telephone at (952) 830-0308, the Federal Trade Commission, and the appropriate state regulatory agencies.

Item 20: Outlets and Franchisee Information

Included in this Item are tables for the following concepts: direct-licensed and subfranchised DQ Grill & Chill® restaurants, direct-licensed and subfranchised Dairy Queen®/Brazier® restaurants, and Texas DQ® restaurants.

**DQ Grill & Chill® & Dairy Queen®/Brazier® Direct-Licensed Outlets
Systemwide Outlet Summary
For Years 2022 to 2024⁽¹⁾**

Outlet Type	Year	Outlets at the Start of the Year	Outlets at the End of the Year	Net Change
Franchised	2022	1952	1965	+13
	2023	1965	1967	+2
	2024	1967	1969	+2
Company-Owned	2022	2	2	0
	2023	2	2	0
	2024	2	2	0
Total Outlets	2022	1954	1967	+13
	2023	1967	1969	+2
	2024	1969	1971	+2

(1) The totals do not include Texas DQ® restaurants, subfranchised outlets operating under agreements with territory operators ("subfranchised restaurants"), or outlets for other franchise programs described in Item 1.