

Business Overview

RE: 20 Nutrition Supplement Stores Across 9 States

Specifications

 Price \$3,146,000	 Revenue \$9,126,248	 Cash Flow \$899,054
 Profit Margin 10%	 Equipment \$500,000	 Inventory \$450,000
 Location Northwest, South, Midwest and Southeast	 Reason for Sale Capital for new investments	 Franchise



SUMMARY OF THE BUSINESS –

These health & nutrition stores with over \$9M in combined sales are a leading retailer in the health and fitness industry. Part of a franchise, there are 20 stores located across 9 states. The owners are absentee but have staff in place to manage day-to-day operations, consisting of 2-4 employees per location, including a manager.

In 2016, this most profitable location grossed \$770,318 in sales and netted a 21% profit margin. Equipment value is roughly \$500,000, with inventory valued around \$450,000.

Customers come from diverse backgrounds, relying on this franchise for weight loss supplements and nutrition planning, strength & conditioning for sports, and for wellness in adults. The franchise ensures strong purchase

power with “off the shelf” products so that each store can attain high profit margins. Brand products comprise 80% of sales, and customers are invited into a loyalty program for a small monthly fee.

A buyer putting 15% down (\$417,900) would see a first year’s profit of \$413,734, representing an 87% return on investment.

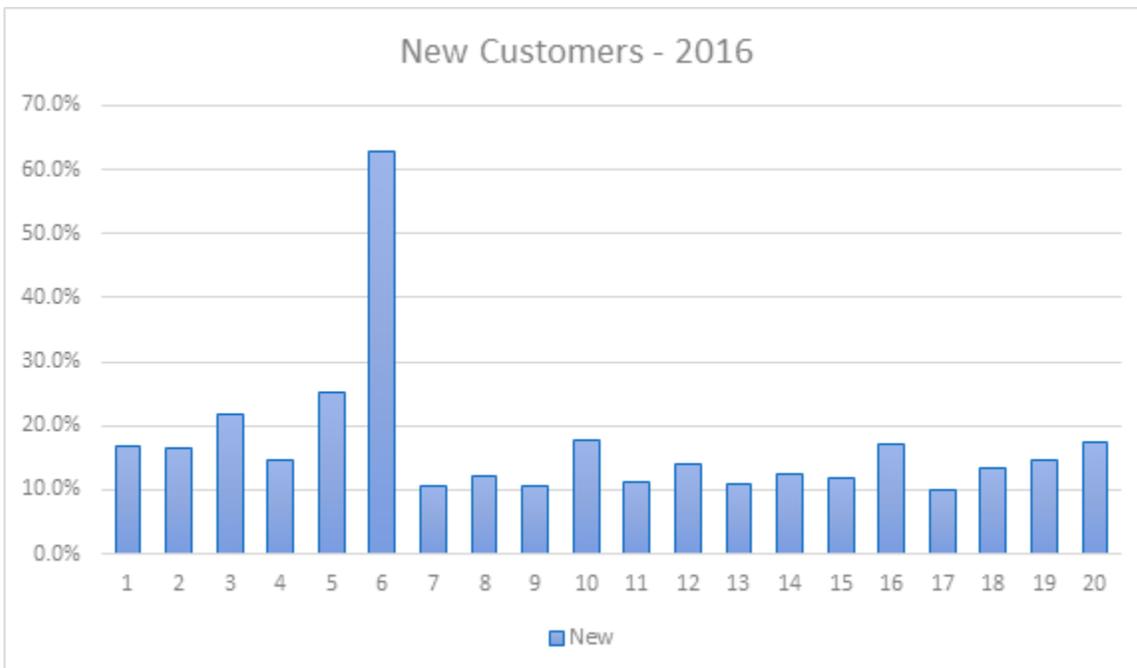
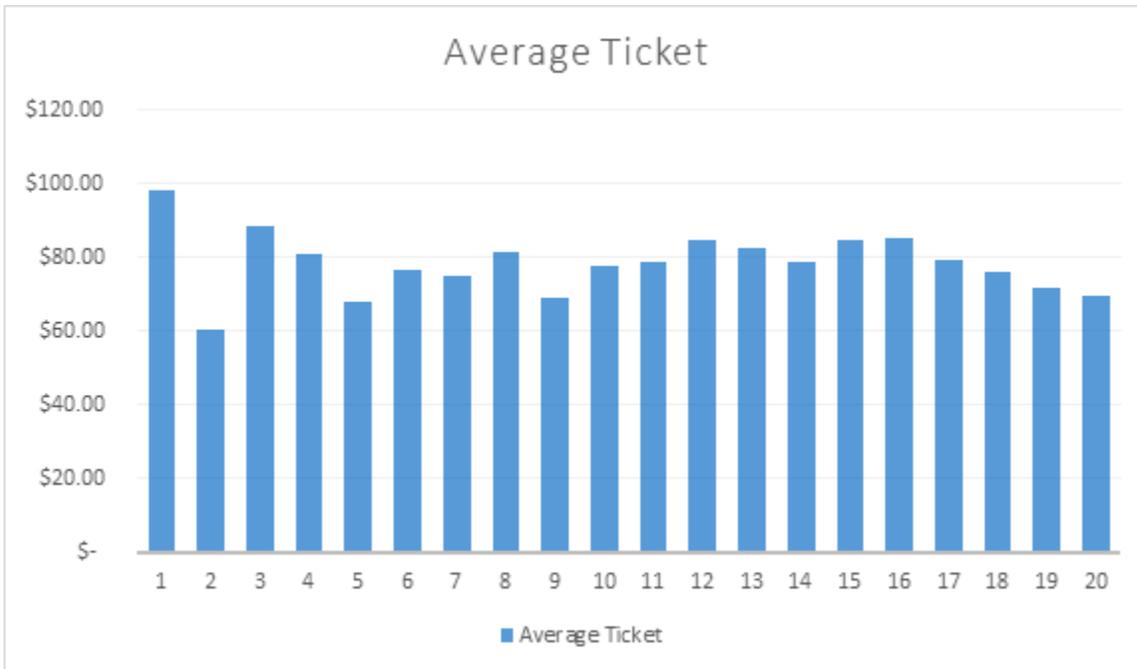
Business Highlightts

- **Location and Service Area:** 9 States: GA, ID, IN, KS, MO, NE, NC, TX & CO
- **Product Mix:** 80% private label sold exclusively at these stores and 20% “off the shelf” products
- **Diversified Customer Mix:** weight loss supplements and nutrition planning, strength & conditioning for sports, wellness for adults
- **Reason for Sale:** capital for new investments
- **Employees:** 2-4 per store (~60) with manager at location
- **Profit Opportunities:** corporate has a good marketing and loyalty program in place, but a buyer could sponsor sports teams and events to increase traffic
- **Current Owners’ Responsibilities:** owners oversee financials, but have staff in place to operate the store’s day-to-day needs

Financial Highlights

- **List Price:** \$3,146,000
- **Gross Sales:** \$9,126,248
- **Cash Flow:** \$899,054
- **10% profit margin** – absentee owners
- **Assets Included in Purchase: \$950,000+**
 - Equipment: \$500,000
 - Inventory: \$450,000

Sales Analysis



- The highest percentage of new customers was Store 6 (62.7%) while the lowest was Store 17 (10%)
- The store with the highest average ticket (\$98.02) was Store 1, where gross sales were nearly \$700K

Franchise Information

- Owner's Discretionary Profit (ODP)

- Benchmark Range
 - Low Volume Store (\$30,000-\$44,499) should be 9-17%
 - Medium Volume Store (\$45,000-\$59,999) should be 15-23%
 - High Volume Store (\$60,000-\$83,332) should be 20-28%
 - Million Dollar Store (\$83,333+) should be 28-36%
- ODP is a measurement that indicated the health of the business using only the largest expenses and leaving variable expenses out, therefore showing a more accurate financial state for the store
- ODP is the total cash that the business has available to the owner after deductions of on the “Big 5” operating expenses:

Sales	\$30,000-\$44,999
Margin	65%
Marketing	13%-17%
Payroll	15%-19%
Rent	12%
Royalties	8%
ODP	9%-17%

Low Volume Store

Sales	\$45,000-\$59,999
Margin	65%
Marketing	12%-16%
Payroll	13-17%
Rent	9%
Royalties	8%
ODP	15%-23%

Medium Volume Store

Sales	\$60,000-\$83,332
Margin	65%
Marketing	11%-15%
Payroll	11%-15%
Rent	7%
Royalties	8%
ODP	20%-28%

High Volume Store

Sales	\$83,333+
Margin	65%
Marketing	6%-10%
Payroll	10%-14%
Rent	5%
Royalties	8%
ODP	28%-36%

Million Dollar Volume Store

**** Royalties are 8% of a store’s total income. This is found by total sales minus Club Match and multiplying that number by 8%.**

- All stores generating \$30,000 or more per month in retail sales should be able to pay compensation, royalties, rent and marketing, and still produce a positive ODP
 - The franchise’s benchmark is 65%
 - For product margins, take the total retail price, subtract your product cost and divide the difference by the total retail price:

$$\begin{array}{r}
 \text{Product Retail Price} \\
 \$49.99
 \end{array}
 \begin{array}{c}
 \text{---} \\
 \\
 \text{---}
 \end{array}
 \begin{array}{r}
 \text{Product Wholesale Cost} \\
 \$5.65
 \end{array}
 \begin{array}{c}
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 \text{=}
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 \text{Margin is 88.6\%}
 \end{array}$$

$$\begin{array}{c}
 \text{Product Retail Price} \\
 \$49.99
 \end{array}$$

- Strong consumer brand loyalty within the franchise
- Private-label products (80% of sales) are lab-tested to ensure quality
- Franchise’s strong purchasing power means “off the shelf” products (remaining 20% of sales) have high profit margins for store owners
- Marketing, Point-of-Sale, Inventory control and security systems are all supported at the franchise level

Valuation Details

The Firm Business Brokerage used a Cash Flow Valuation methodology to determine the Purchase Price of the business.

The formula used is as follows:

$$\text{Cash Flow} \times \text{Prescribed Multiple} = \text{Fair Market Value}$$

Cash Flow is the sum of business net income plus any owner perks and any non-onward going expenses.

A multiple is prescribed by a 20 question, 100-point parameter ranking system that is used to analyze the current business health. Each question is based on a scale from 1 to 5: 1 being low, 2 below average, 3 average, 4 above average, 5 high. The average of the responses sum is the business’ prescribed multiple.

For this business, a combined one-year Cash Flow (2017) was used with a prescribed multiple of 3.5. With this information, the computation is as follows:

$$\$899,054 \times 3.5 = \$3,146,689$$

The Fair Market Value found above positions the business List Price at **\$3,146,000**.

Funding Example

Purchase Price: \$3,146,000

15% Buyer Down Payment: \$471,900

15% Seller Financing: \$471,900

70% Bank Loan: \$2,202,200

Seller Financing 5-year term at a rate of 4.5% equals a monthly loan payment of \$8,798.

Bank Loan 7-year term at a rate of 5.5% equals a monthly loan payment of \$31,646.

After business expenses and annual loan payments of \$485,320 a buyer would retain a profit of \$413,734.

A 15% down payment of \$471,900 results in an 87% return on investment in the first year.

At a proposed Purchase Price of \$3,146,000 with the terms listed above, the coverage ratio is 1.85, with a bank requiring a minimum ration of 1.5 to be lendable.



To receive a full financial package and specific information regarding this business:

1. Complete the Qualified Buyer Documents (Non-Disclosure Agreement and Buyer Questionnaire) [on our website](#) or print, scan and return the attachments to info@TheFirmB2B.com
2. Call The Firm Business Brokerage at 402.998.5288 to schedule an appointment or conference call with a Broker.

The Firm currently has over 90 cash flowing businesses available. If you find that this is not a fit for you, please let us know and we would be happy to provide you with other opportunities.

The Firm makes no warranties or representation in consideration to the information provided above. All communication regarding this business must occur directly with The Firm Brokerage, LLC.