

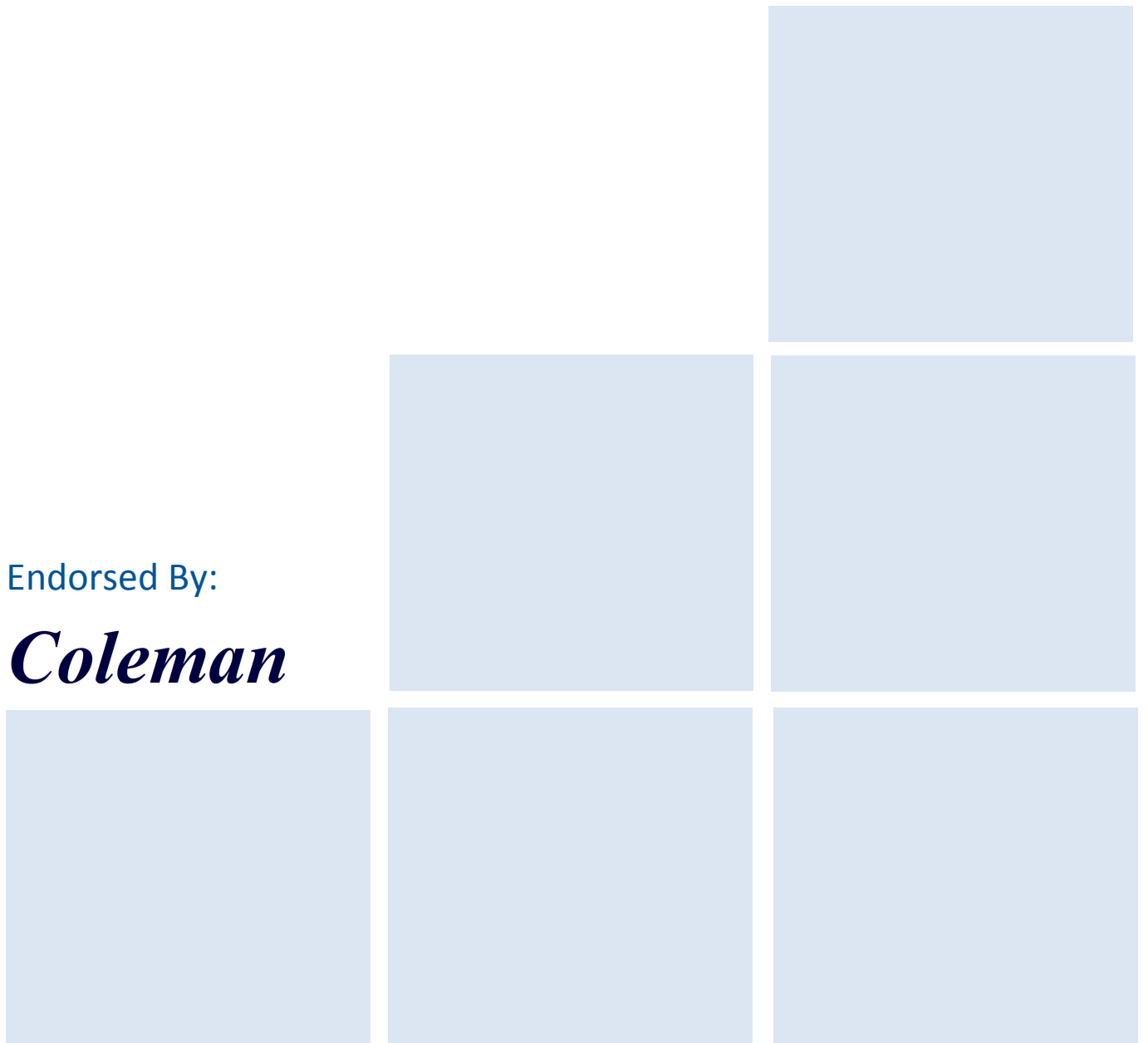
FUND™ REPORT



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Coleman



FUND™ SCORE

735

Christian Brothers Automotive

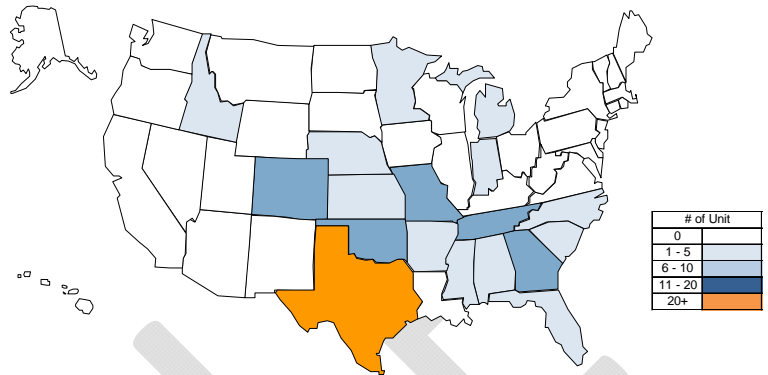
FRUNS 10839

Christian Brothers Automotive Corporation

Franchised Units: 133
 Footprint: 18 states
 Corporate Owned Units: 2

Christian Brothers Automotive (CBA) operates in the automotive repair and maintenance services sector. It offers a wide range of services including battery, brakes, cooling system, engine, exhaust and transmission services. The concept was founded in 1982 and started offering franchises in 1996. It emphasizes customer service and uses the slogan "Love your neighbor as yourself," a biblical reference.

Christian Brothers Automotive - Geographic Distribution

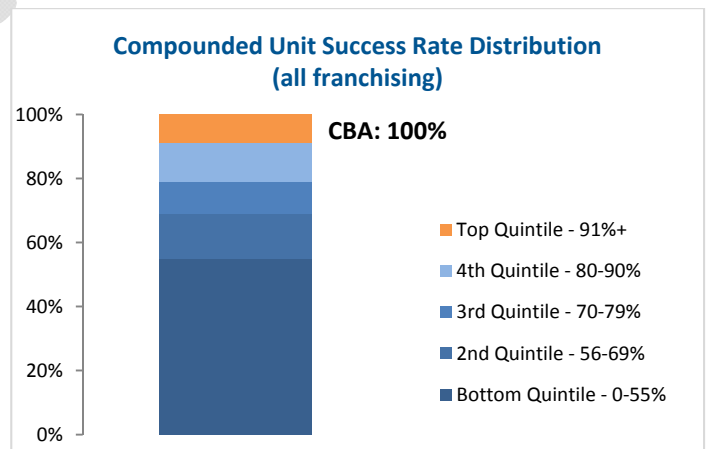
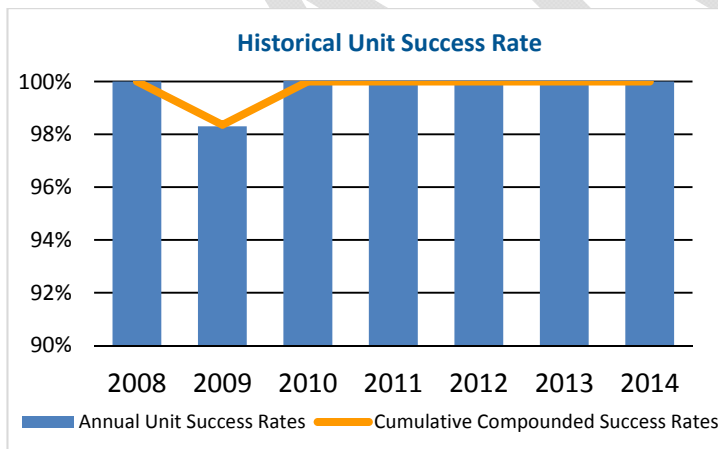


IMPORTANT NOTE: This report assesses only the U.S.-based franchising activity of this system

Historical Unit Success Rate™

140/150

Over the past seven years¹, CBA's compounded historical success rate was 100%, which accounts for all units entering and exiting the system throughout the full period. This places CBA in the top quintile among all concepts in franchising.



¹ Unit information is available between 2008 and 2014. There are data inconsistencies for some years, so score is adjusted down due to reporting quality issue.

Resale Activity Level

20/50

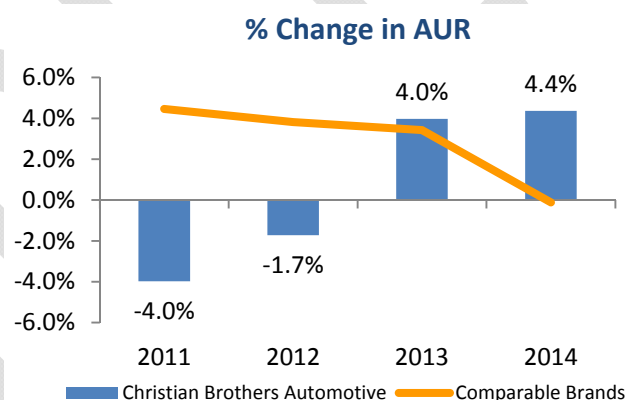
CBA had an average unit transfer rate of 3.2% from 2011 to 2014. This was above the average transfer rate for concepts at a comparable maturity level. This activity was also slightly higher than the industry average of 2.5% during this period. CBA had an average refranchise rate of 1.23%, which was above the 0.82% industry average but below brands at a comparable maturity level.

Average Unit Revenue Growth

60/70

Public information is available for over 80% of the Christian Brothers Automotive system. The brand provides a significant amount of transparency into franchised unit performance.

Between 2010 and 2014, CBA's average unit revenues increased from \$1,197,056 to \$1,225,862, at a CAGR of 0.6%. This growth was below the peers' average growth rate over the same period, although trends have reversed in CBA's favor.



Unit Economics

65/100

CBA discloses a detailed income statement for its franchised units based on number of years in operation. This disclosure provides a sound basis for understanding the unit-level performance of CBA's franchised locations. Reporting has been consistent since 2013. From 2013 to 2014, average net operating income for franchised units in operation for over five years declined from \$184,050 to \$164,775. Accordingly, the system's average profit margin also declined slightly from 14.3% to 12.9%.

Franchisor – Franchisee Relationship

40/40

In 2014, The Franchise Business Review ranked CBA number one in franchise satisfaction based on an independent survey. Investigations of social websites and the frequency of disclosed litigation relative to system size give CBA an above average assessment for this category.

Recurring Revenue Self Sufficiency™

20/50

In 2015, Christian Brothers Automotive Corporation (CBAC) generated \$31,440,660 in total revenues, and incurred \$29,339,084 in cost of revenues and SG&A expenses. The company does not provide a detailed breakdown of its revenue and expense mix. The available information is not sufficient to assess recurring revenue self-sufficiency.

Financial Statement Strength

25/50

In 2014, CBAC had total revenues of \$31,440,660, an improvement of 15.8% from 2013. Nevertheless, its operating profitability declined. The company had an EBITDA margin of 9%, a 400 basis points decrease from 2013. This was due largely to rising operating expenses. The company's current assets were insufficient to cover current liabilities in 2013, and this condition has been worsening. During the same period, CBAC's long-term debt increased by 25%, while its equity decreased by 12% to \$3,658,083. As a result, its leverage ratio increased significantly from 7.7 to 11.0. Overall, the company's profitability and balance sheet strength have declined from the previous year.

System Support

40/40

CBAC offers most of the standard support services offered by franchisors. It provides assistance in site selection, initial and regular training, ongoing on-site support, and marketing support on local and national levels. The system is also SBA eligible on the Franchise Registry.

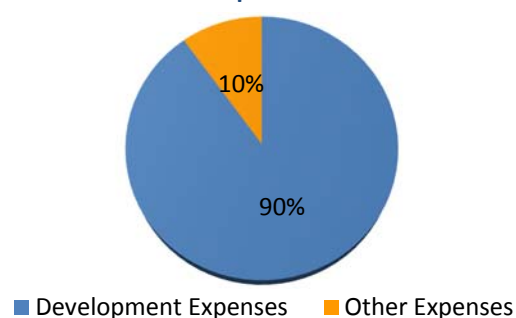
System Expense Level Commitment

10/35

CBAC discloses SG&A expenses, but does not provide a detailed distribution of spending on development and support activities, operating company-owned units or other administrative activities.

Based on the size of CBA's franchise system, FRANdata estimates that 90% of SG&A are allocated towards development and support activities.

Estimated Expense Distribution



Management Experience/Stability

35/35

CBA has an experienced management team, most of its members having been with the brand for over 10 years. The founder currently holds an executive leadership role and participates in the day-to-day operations of the company. The management team also brings significant experience from other franchises, as well as experience leading successful companies in their respective fields.

Prospect Screening

20/40

For individual applicants to qualify, the franchisor requires a minimum liquidity of \$50,000 along with an overall net worth of \$200,000. Both requirements are below comparable brands' averages and represent relatively low barriers given its initial investment estimates. No other requirements, such as prior business experience, have been found through public resources.

Franchise Agreement Assessment

35/40

While there are no major risk indicators in the franchise agreement, lenders should be aware of a number of low-risk clauses, which include the following:

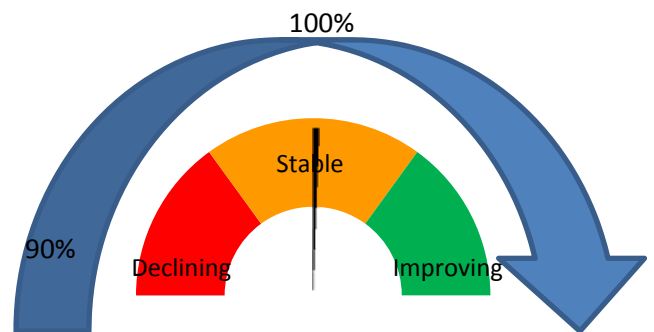
- Disputes must be litigated or arbitrated in the home state of the franchisor.
- Noncompeting agreements
- Sole sourcing requirements.
- Mandatory arbitration provisions.
- Radically different franchise agreements upon renewal.
- Excessive transfer fees.
- The franchisor lacks any fiduciary relationship to the franchisee.
- The franchisor retains the right of first refusal during any transfer.

Projected Unit Success™

225/250

FRANdata projects that CBA will maintain its high unit success rate in the near-term.

Unlike most other auto repair services concepts that typically experience low and volatile unit success rates, CBA has maintained nearly perfect success levels each year. With stable annual openings and a consistent pace of expansion, FRANdata expects it to continue to deliver relatively strong performance.



Projected Unit Success Rate

FUND™

The purpose of FRANdata's Franchise Brand Underwriting Report (FUND) is to help lenders assess the systemic credit risk associated with a particular franchise system. The basic characteristics of franchise businesses are consistency and uniformity. If every unit is designed around these characteristics, their aggregate performance coupled with the franchisor's performance in support of the franchise system enable credit analysts to more effectively evaluate the credit risks of a particular franchisee and structure an appropriate loan to address those risks. The result is a superior understanding of likely lending outcomes and a better credit decision, all of which are unavailable to the analysis of non-franchise small businesses.

FUND™ SCORE

735

Christian Brothers Automotive

	RANGE	SCORE
Franchise System Performance	Up to 410	325
<u>Unit Level Outcomes</u>		
Historical Unit Success Rate™ (HSR)	0 – 150	140
Resale Activity Level	0 – 50	20
<u>Unit Level Performance</u>		
Same-Store Sales Growth/Average	0 – 70	60
Unit Revenues Growth		
Unit Economics	0 – 100	65
<u>Franchisee Level Assessment</u>		
Franchisor-Franchisee Relationship	0 – 40	40
Franchisor Performance Rating	Up to 290	185
<u>Financial Performance</u>		
Recurring Revenue Self-Sufficiency™	0 – 50	20
Financial Statement Strength	0 – 50	25
System Support	0 – 40	40
System Expense Level Commitment	0 – 35	10
Management Experience/Stability	0 – 35	35
Prospect Screening	0 – 40	20
Franchise Agreement Assessment	0 – 40	35
Unit Level Projections	Up to 250	225
<u>Projected Unit Success™</u>	0 – 250	225
		735

Note: SBA loan performance should not be used as a basis for credit decision-making. FRANdata evaluated recent publically available SBA loan information and corrected older SBA loan data. FRANdata's analysis of SBA data supports the overall projections for the system.

A FUND™ Report helps a lender to determine two primary credit risk issues: First, how well will the franchised unit(s) perform and second helps eliminate uncertainty about system performance. Lenders have considerable experience making judgments about the owner. **A FUND™ report unleashes the credit risk assessment power of a franchise system's historical unit performance to assist the lender in understanding how well the franchised entity is likely to perform before the loan is made.**

Glossary

Financial Statement Strength	A measure of a franchisor's financial/capital ability to support system growth.
Franchise Agreement Assessment	Identifies unusual control terms that affect the borrower and unusual control terms that affect the lender.
Franchisee/Franchisor Relationship	Based on information from an independent franchisee satisfaction assessment. If no such assessment exists, no relative judgment can be made regarding franchise relations within the system. While the absence of such information does not imply a lower rating, it does point to a potential lack of cultural transparency within the system, which is factored into the rating. Secondary evidence through social websites, instances and types of disclosed litigation, and direct franchisee feedback are also considered when determining this metric.
Historical Unit Success Rate™ (HSR)	Assesses the overall health of a franchise system for a three to eight year time period, depending on the number of years of franchising experience. While lending risk is associated with the franchisee entity, the most basic measure of a franchisee's performance that can be compared across a franchise system is the franchise unit. To measure franchise unit success, this standard measurement focuses on unit performance attributable to franchisee performance, and good business practices that resulted in successful continued operation. The measure adjusts for unit changes that are not within the operational control of franchisees during the review period.
Management experience/stability	Measures the stability and level of experience of an executive team. This measure considers positive changes such as new hires.
Projected Unit Success™	Adjusts the Historical Unit Success Rate based on brand, peer and industry trend analysis.
Prospect screening	Metric that gauges franchisor selection practices when screening franchise applicants.
Recurring Revenue Self Sufficiency™	A standard that measures whether a franchisor can cover operating expenses from ongoing revenue without having to rely on expanding the franchised system size
Resale Activity Level	Level of transfer activity a system goes through, taking into account the lifecycle of the brand and its system size
Same Store Sales	A transparency measure for new unit sales over time plus a comparative assessment of same store sales to peers and industry
System Support and Expense Commitment	This metric looks at what types of support – i.e. human capital support and indirect financial assistance – the franchisor provides to its franchisees. It also measures whether the franchisor's expenditures are invested in measures to improve the franchise system, including training, brand marketing and field support.
Unit Economics	Level of transparency which affects whether the amount of information a franchisor discloses allows a franchisee to estimate their unit's potential financial performance and profitability. The rating is based on whether a franchise system publicly discloses: <ul style="list-style-type: none"> a.) costs of goods sold (COGS) b.) labor expenses c.) rental costs d.) general and administrative (G&A) expenses.

Source:

All information in this report was compiled from publicly available company information, SBA loan data, 3rd party information deemed to be reliable, and FRANdata expertise.

FRANdata is the trusted leader in franchise performance predictive analytics. For more than 15 years FRANdata has provided impactful solutions that address franchise credit-risk analysis. The FUND score is the result of continuous innovation in studying and measuring franchise key performance metrics.

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