

FUND™ SCORE

845

Poolwerx

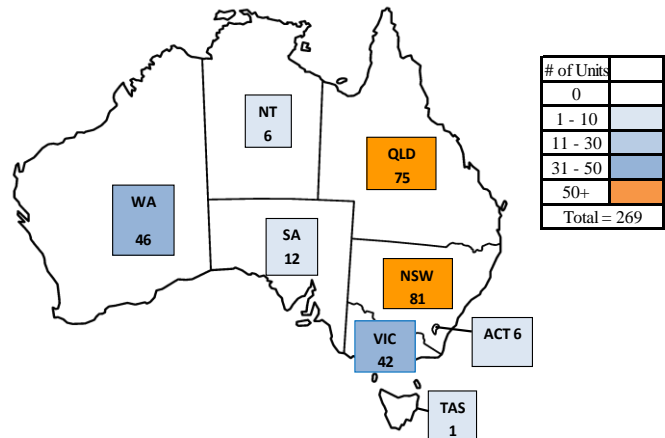
FRUNS 20016

Poolwerx Corporation Pty Ltd

Franchised Units: 269
 Footprint: 6 states and 2 territories
 Corporate Owned Units: 1
 Franchise Start Date: 1992

Poolwerx is Australia’s largest franchised pool retail group. They specialise in after-market pool care and maintenance for residential and commercial clients including pool servicing, water testing and equipment installation. The brand has been franchising since 1992. Poolwerx have a national footprint and operate in every Australian state and territory as well as in four locations in New Zealand.

Poolwerx: Geographical Distribution 2017

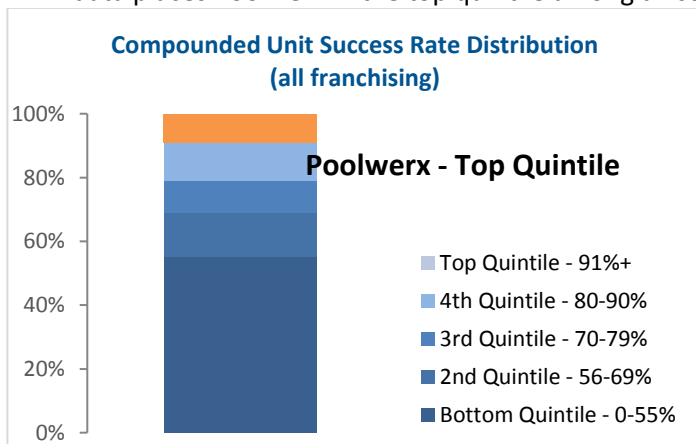


IMPORTANT NOTE: This report assesses only the Australian -based franchising activity of this system.

Historical Unit Success Rate™

150/150

The historical unit success rate assesses the overall health of a franchise system depending on the number of years of franchising experience. To measure franchise unit success, this measurement focuses on unit performance attributable to franchise performance as well as good business practices that have resulted in successful continued operation. Disclosure Documents for the years 2011-2017 show Poolwerx has a strong historical unit success rate. In this component of the FUND™ report the franchisor evidences strong and consistent performance. On this measure, FRANdata places Poolwerx in the top quintile among all concepts in franchising.



Resale Activity Level

40/50

The Resale Activity Level measures the level of transfer activity a system goes through taking into account the lifecycle of the brand and its system size. Poolwerx had an average unit transfer rate of 5.58% for the 2017 year which is broadly in line with industry averages and a strong result for a brand that has been franchising for more than 21 years.

Same Store Sales / Average Unit Revenue Growth

55/70

This measure considers new unit sales over a period of time as well as a comparative assessment of same store sales in relation to the franchisors peers and industry. On this component of the report Poolwerx has provided year on year data on its individual franchised unit performance which shows that 84% of stores achieved 90% or greater of their sales budgets. Poolwerx has also invested in technology that will provide the franchisor with access to real time profit and loss data for each unit which will provide further transparency on same store sales going forward. Based on this FRANdata estimates that the concepts Same Store Sales are in line with franchisees expectations.

Unit Economics

75/100

The unit economics assessment provides the ability to estimate a unit's potential financial performance and profitability. It takes into account known average revenue, COGS, labour expenses, rental costs and general and administrative expenditure items. Poolwerx has provided financial aggregated overview data on a state by state basis which shows that across the business franchisees averaged a GP of 73% and an average EBITDA of 27%.

Franchisor – Franchisee Relationship

40/40

In 2017, a franchisee survey conducted by Franchise Relationships Institute on 72% of Poolwerx partnerships indicated that franchisees satisfaction in the dimensions of Leadership and Franchise Partnership have significantly improved on 2016 levels. Poolwerx continued investment in measuring franchisee satisfaction indicates the brands ongoing commitment to maintaining and improving their franchise relationships. A review of disclosure documents for the period 2011-2017 indicates that the franchisor has not been involved in any material franchisor-franchisee related litigation over the last 8 years. An investigation of third-party social media websites did not reveal any adverse feedback from Poolwerx franchisees.

Recurring Revenue Self Sufficiency™

50/50

The Recurring Revenue Self Sufficiency measures whether a franchisor can cover operating expenses from ongoing revenue without having to rely on adding new units to sustain their operation. In 2017 Poolwerx did not rely on adding new units to sustain their operation. Poolwerx has consistently generated a sufficient level of recurring revenues to cover operating expenses without relying on adding any new franchised units. The franchisor is recurring revenue self-sufficient.

Financial Statement Strength

40/50

Poolwerx have provided management accounts for the 2017 reporting period. These indicate a sound and improving profitability and balance sheet position. Poolwerx total revenues increased by 6.16% to \$10,905,592. EBITDA improved from \$2,698,176 in 2016 to \$3,299,353 in 2017. The management accounts also indicate a marginal reduction in the current ratio to 0.80%, which has been contributed to from the brands international expansion activities. All of these factors indicate a financial ability to sustain and support system growth.

System Support and Expense Commitment

75/75

Poolwerx offers all of the standard support services typically provided by franchisors including pre-opening training and ongoing advisory services to its franchisees. The franchisor operates an in-house 'Pool School' which provides franchisees with training on performance and business operations. As part of Poolwerx ongoing support they have a team of eight Regional Business Development Managers as well as more than 40 Head Office Staff. An independent survey undertaken in 2017 by the Franchise Relationships Institute shows that franchisees satisfaction with support was significantly stronger in 2016 and was better than benchmarks.

In the 2017 reporting period Poolwerx disclosed operating expenses which show the franchisors development and support activities. Based on this information, FRANdata estimates that the 47% of expenses were allocated to support Poolwerx franchise system. This indicates that the franchisor makes a significant investment in developing and supporting its franchisees.

Management Experience/Stability

30/35

Poolwerx founder and global CEO John O'Brien has extensive industry and franchise experience. John remains actively involved in the company's daily operations and is supported by an experienced management team. Historically, the brand has enjoyed strong and stable management which is evidenced by the brand being named established franchisor of the year for 2016. In 2017, Poolwerx made the strategic decision to expand their international footprint which has led to some changes in their management structure in Australia. Andrew Kidd is now the Chief Operating Officer AU/NZ. Andrew has been with the brand since 2012 and was appointed to his new role in November 2017. Andrew has considerable experience with the Poolwerx brand across a number of key leadership roles. His appointment as Chief Operating Officer AU/NZ will provide continuity for the brand with their Australian operations and enable John O'Brien to spend more time in the United States to grow their international footprint. The 2017 disclosure document indicates the Poolwerx executive team have both industry and franchise expertise.

Prospect Screening

30/40

The franchisor does not require a specified minimum net worth or minimum liquidity requirement. Prospects are subjected to a rigorous assessment and selection process to optimise suitability. Relatively low transfer rates and strong unit continuity and success rates further support effective prospect screening practices.

Franchise Agreement Assessment

35/40

Lenders should note under the franchise agreement franchisees have exclusive territory rights that can only be changed at the franchisees option or at the end of the second term. The franchisor does have the ability to unilaterally amend the franchise agreement after the expiration of the initial term. At the end of the franchise agreement the franchisor has the first right to the business and the franchisee will not receive any payment from Poolwerx in relation to the goodwill of the business even if the goodwill has been developed by the franchisee or purchased through a merger or acquisition of another competitor business.

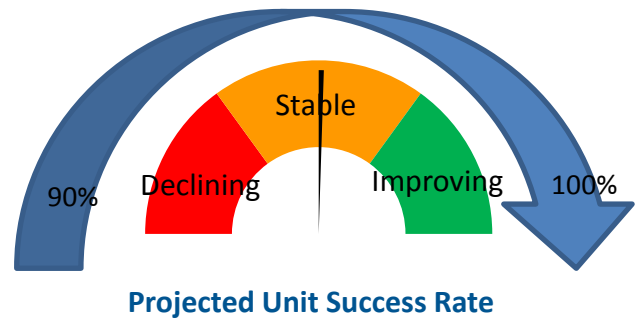
Projected Unit Success™

225/250

FRANdata expects Poolwerx to continue to maintain its high compounded unit success rate in the near term.

Historically, the system has experienced high levels of franchised success. The brand continues to be well positioned to grow their units at a sustainable level.

Poolwerx management team have considerable expertise in franchising and have the experience and focus to continue to grow the brand. The franchisors low number of closures and consistent gains in unit revenues in recent years will benefit the system and help it to maintain its high 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

FUND™ SCORE **Poolwerx**
845

	RANGE	SCORE
Franchise System Performance	Up to 410	360
<u>Unit Level Outcomes</u>		
Historical Unit Success Rate™ (HSR)	0 – 150	150
Resale Activity Level	0 – 50	40
<u>Unit Level Performance</u>		
Same-Store Sales Growth/Average	0 – 70	55
Unit Revenue Growth		
Unit Economics	0 – 100	75
<u>Franchisee Level Assessment</u>		
Franchisor-Franchisee Relationship	0 – 40	40
Franchisor Performance Rating	Up to 290	260
<u>Financial Performance</u>		
Recurring Revenue Self-Sufficiency™	0 – 50	50
Financial Statement Strength	0 – 50	40
System Support and Expense		
Commitment	0 – 75	75
Management Experience/Stability	0 – 35	30
Prospect Screening	0 – 40	30
Franchise Agreement Assessment	0 – 40	35
Unit Level Projections	Up to 250	225
<u>Projected Unit Success™</u>	0 – 250	225
		845

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