

**Opportunity:****Franchise Coffee Shop**

Location:

Central Washington

Business Offered At:

\$375,000

Sale Type:

Asset Sale

Real Estate Offered At:

Assumption of Current Lease

Offered By:**AAI Real Estate**

819 S. 72nd Ave

Yakima, WA 98908

www.aaifg.com

Drive Thru Coffee Shop

Central Washington

Confidential**Offering Memorandum****Drive Thru Franchise Coffee Shop**

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The Client Company has elected not to audit financial statements, appraisals of tangible assets or real property. In addition, management has elected to omit substantially all of the informative disclosures ordinarily included in financial statements prepared on an income tax basis of accounting, market value presentation and valuation reports. If the omitted disclosures were included, they might influence the user's conclusions about the company's financial condition. Accordingly, the documents contained in this Confidential Memorandum are not designed for those who are not informed about such matters.

Any and all financial records, equipment list, and operating reports received from management and included in this package are assumed to be accurate. While reasonable tests are applied and unusual results queried, the prospective purchaser should verify accuracy of these numbers. Unless stated otherwise, the financial summaries prepared by AAI Real Estate reflect only regrouping of those prepared by management. By accepting this Confidential Memorandum, the recipient acknowledges the responsibility to perform a due diligence review and make its own evaluation and judgment prior to any acquisitions of or mergers with the Client Company.

Unless stated otherwise, the underlying assets have not been appraised. The cost data provided in the financial statements, before depreciation is deducted, may be used as an approximate replacement cost but should be reviewed in due diligence process. If a value is included on the asset list, that value is the presumed fair market value of an equivalent asset. Additionally, the list was prepared at a specific point in time. The ordinary course of business will cause items to be added and disposed of, so any enclosed list of assets should be viewed as an approximation of the total assets of the business.

Inventory is assumed to be at cost. Management's estimate of value is accepted unless reasons exist to use another value, which will be noted. Real estate values, building leases, rental agreements, equipment leases and other commitments of the company are management's estimate and are assumed to be at market rates unless otherwise noted.

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Confidential Offering Memorandum

Exclusively Offered By: **AAI Real Estate**

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Table of Contents

Business Overview	4-6
Suppliers, Competitors, Employees	7
Financial Information	8-10
Location	11
Market Overview	12
Potential Financing Structure	13
Buyer Process	14
Commerical Lending Capabilities	15

The Business for sale is a privately owned franchise of a larger corporation. The business was started in 2019 and currently has 10 employees. The business serves hot and iced coffee and tea, frozen coffee drinks, infused energy drinks, and drinks for kids. The business has gift cards and rewards through the corporate franchisor.

The owners are selling due to the distance they live from the location and the challenge and cost of being on site. A local owner would be better suited to marketing and growing the business.

Drive Thru Hours:

5:30 am – 6:00 pm M-Sat

6:00 am – 6:00 pm Sun

The location is 650 square feet that is currently leased. The 15 year NNN lease started October 2019. Rent in years 1-5 is \$7,250 per month plus NNN and increase 7.5% the beginning of years 6 and 11.

The corporate franchisor is a drive-thru coffee shop company started in 1998 and offered its first franchise in 2003. They have 148 locations in 21 states, with an additional 43 signed franchise agreements for future locations. They do not charge royalty fees. The franchise contract is available for review.

Franchise agreement notes:


- 10 year term with possible 10 year extension / renewal (\$1,000 fee)
- 1 mile exclusivity
- All beans, coffee products, logo cups and lids, most food and non food supplies must be purchased from corporate or designated supplier
- Franchise can be transferred with corporate consent. Buyer must sign the then-current franchise agreement with corporate and pay the then current transfer fee (\$2,000 at the time of the previous agreement). The transfer fee is lower than the \$30,000 current franchise fee for a startup.

Qualifications for Franchise Ownership (from corporate FAQ website)

- Minimum net worth \$400,000, minimum liquid assets of \$200,000
- Franchise is recognized as a Franchise Registry Verified Franchisor with FRANData
- Corporate does not offer financing directly
- The ideal candidate is customer service oriented, has a strong connection to their community and a love and appreciation for a great cup of coffee

Complete detailed information about the company is available with a signed non-disclosure agreement.

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Business Summary

Industry	Franchise Coffee Shop
Business	Not Disclosed
Location	Not Disclosed Central Washington
Number of Employees	10
Years in Business	4
Website	Not Disclosed
Type of Sale	Asset Sale
Reason for Selling	Owner lives 70 miles from the location, difficult to be on premises, develop business



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Key Numbers

Asking Price, Business	375,000
Asking Price, Real Estate	Not Included
Combined Asking Price	375,000
2020 Sales	572,044
2021 Sales	673,301
2022 Sales	642,888
2020 Seller's Discretionary Earnings	43,399
2021 Seller's Discretionary Earnings	94,613
2022 Seller's Discretionary Earnings	71,501
Thru Sep 2023 Seller's Discretionary Earnings	49,461*
Net Fixed Assets Included in Sale Dec 2022	107,884

*2023 Seller's Discretionary Earnings were down primarily due to the increase in minimum wages in the State of Washington. The owner waited to increase prices to accommodate until June 2023. Ongoing discretionary earnings are expected to be similar to 2021 and 2022.



Suppliers

Almost all supplies are provided by the corporate franchisor. The corporate company sources specialty grade Arabica coffee which is rated by a certified coffee taster. Corporate then roasts the beans. Teas are sourced from a well known tea provider.

Competitors

There are several competitors in the area, including a Starbucks on the next block. The location is also an advantage. The franchise is on a busy intersection, on the correct side of the road for patrons on their way to work in the morning. It is also near multiple businesses and schools. A new owner could take advantage of the location, marketing to local businesses to increase morning and afternoon business.

The franchisor prides itself on the quality of its product. All ingredients are tasted and tested at the corporate level. Consistent quality of product is ensured by the corporate company, or a designated company being the primary supplier.

Employees

The business has 9 Baristas working 18-30 hours per week, all making \$15.74 per hour plus tips. There is also 1 Barista Manager working 28-30 hours per week making \$16.50 per hour plus tips.



Seller's LLC: 2019-2022 from Schedule C Tax Returns, 2023 Company Prepared

Accounting Method: Cash	2019	2020	2021	2022	Thru Sep 2023
3 Receipts or Sales	126,619	572,044	673,301	642,888	486,500
4 Cost of Goods Sold	76,182	226,293	283,234	261,496	195,524
5 Gross Profits	50,437	345,751	390,067	381,392	290,975
6 Other Income	-	1,187	5,107	4,545	-
7 Gross Income	50,437	346,938	395,174	385,937	290,975
8 Advertising	5,740	12,318	207	503	703
13 Depreciation	17,446	30,498	21,896	15,894	-
15 Insurance	1,107	3,228	4,338	4,069	2,462
16b Interest: Other	3,621	15,148	12,389	13,324	15,633
17 Legal / Professional	1,228	4,095	5,530	7,120	5,590
18 Office Expense	2,396	2,574	2,752	3,103	910
20b Rent: Other Business Property	32,625	76,125	87,000	87,000	65,250
21 Repairs and Maintenance	1,648	1,516	3,070	4,700	1,794
23 Taxes and Licenses	19,661	26,855	33,833	33,835	25,043
24a Travel	2,373	62	-	908	30
24b Deductible Meals	27	256	328	719	36
25 Utilities	1,178	7,198	7,775	8,386	7,057
26 Wages	34,736	150,881	132,606	135,816	114,107
27 Other Expenses	14,269	44,548	52,591	55,086	18,532
Amortization	1,222	1,333	1,333	1,333	-
SBA Loan Fees	9,061	-	-	-	-
Mileage Expense	-	24,784	28,136	25,476	-
28 Total Expenses	138,055	375,302	364,315	370,463	257,147
29 Income (Loss)	(87,618)	(28,364)	30,859	15,474	33,828
EBITDA / Discretionary Income	(56,268)	43,399	94,613	71,501	49,461

The Seller provided tax returns from Schedule C for the business. The business has very large mileage expenses due to the distance the seller lives from the location. Mileage, as well as interest, depreciation, amortization and one time SBA fees were added back to arrive at discretionary income.

Earnings are down in 2023. At the beginning of 2023, the minimum wage increased. The owner did not increase prices to compensate until June. Ongoing discretionary income is expected to be closer to 2021 and 2022 levels.

Additional Detail: 2019-2022 from Tax Returns, 2023 Company Prepared

Other Deduction Expenses	2019	2020	2021	2022	Thru Sep 2023
Accounting	370	-	-	-	-
Amortization	1,222	1,333	1,333	1,333	-
Bank Charges	90	443	485	467	318
Branding Fee	-	-	1,058	6,269	4,632
Computer & Internet Expense	949	325	1,267	2,916	2,045
Delivery and Freight	-	2,437	258	701	302
Donations	-	-	-	-	279
Dues and Subscriptions	70	320	202	187	57
Internet Expense	-	1,056	-	-	-
Janitorial	249	546	-	196	23
License & Permits	886	178	519	519	118
Mileage Expense	-	24,784	28,136	25,476	-
POS System	-	9,822	10,293	10,185	9,003
Postage	244	113	59	61	50
Promotion Expense	-	-	3,595	2,835	-
SBA Loan Fees	9,061	-	-	-	-
Telephone	833	1,749	3,551	2,182	386
Training	-	50	-	-	-
Uniforms	295	1,392	1,835	1,759	1,318
Total Other Deductions	14,269	44,548	52,591	55,086	18,532

Other expenses are detailed here for the benefit of the prospective buyer.

Asset List	Cost Basis	Depreciation 2022	Book Value 2022
Franchise Fee	20,000	5,221	14,779
Buildings	63,970	5,399	58,571
Furniture	9,661	7,992	1,669
Sign	27,093	18,630	8,463
Walk In Cooler	13,167	9,055	4,112
Equipment (see list)	62,167	42,747	19,420
Electronic Equipment	2,781	1,911	870
Total	198,839	90,955	107,884


Asset costs, depreciation and book value are from the 2022 tax returns. Buildings are equipment and items that are affixed. The equipment list is from the bid provided when the business was started in 2019.

Because the business is on a cash basis and reported on Schedule C, a balance sheet was not available. Since the sale is an Asset Sale, other aspects of the balance sheet are not relevant.

Equipment

Egro ONE Pure Coffee Touch I Steam Plus with Ext HW
 2 Grinders, Bypass
 OptiPure Model: QTSFT-3+ Water Filter System
 Twin 1.5 Gallon Brewer Geninin
 Large Gourmet Basket for Thermo-Pro Brewer
 Satelite Warmer for Gemini Brewer
 Satelite Server for Gemini Server
 Bunn Grinder G1
 Taylor Frozen Uncarbonated Beverage Freezer Model 340D
 Hamilton Beach Quiet Counter Blender
 Hamilton Beach Quiet Counter Blender
 Hamilton Beach Eclipse Pitcher For Silent Counter Units
 2-Door, TUC 60 undercounter refer.
 4" Casters for True Under Counter units
 T-23F Single Door Stainless Steel Freezer
 Manatowoc Model UYF0310A
 2.5" part number k-00063
 Slim Line Ice Machine
 Slim Line Ice Machine Bin
 Logo Light Sconce Cover
 Turbo Chef Oven
 Menu Board Frame
 Menu Boards

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The location is 650 square feet that is currently leased. The lease is dated April 2, 2019 and commenced when tenant took possession in October 2019. It is a 15 year lease with three 5 year options to extend. It is a NNN lease. Rent in years 1-5 is \$7,250 per month plus NNN. Rent goes to \$7,793.75 plus NNN in years 6-10, and \$8,378.28 plus NNN in years 11-15. the equivalent of 1.25% for each year.

Traffic counts are provided by the municipality.

From-To Section	# Thru lanes	Year of Count	ADT
Cross Street to Next Major Street North	4	2022	10,363
Cross Street to Next Major Street South	2	2022	10,380
Primary Street to Next Major Street West	4	2022	18,897
Primary Street to Next Major Street East	4	2022	17,253

Market Overview

Population	1 Mile	3 Miles	5 Miles	10 Miles	15 Min. Drive
Population	15,026	83,547	119,944	159,982	137,557
5 Yr Growth	0.9%	1.7%	2.1%	2.3%	1.2%
Median Age	39	35	35	36	35
5 Yr Forecast	39	36	36	37	36
White / Black / Hispanic	87% / 2% / 27%	87% / 2% / 44%	88% / 2% / 44%	88% / 2% / 40%	88% / 2% / 40%
5 Yr Forecast	86% / 2% / 28%	86% / 2% / 45%	87% / 2% / 45%	88% / 2% / 41%	88% / 2% / 41%
Employment	7,941	41,024	59,242	68,399	58,292
Buying Power	\$401M	\$1.6B	\$2.3B	\$3.3B	\$2.8B
5 Yr Growth	1.8%	3.6%	3.8%	3.6%	3.5%
College Graduates	27.9%	18.4%	17.9%	18.3%	21.3%
Household					
Households	6,265	31,103	43,456	57,602	49,919
5 Yr Growth	0.9%	1.7%	2.1%	2.2%	1.2%
Median Household Income	\$64,014	\$51,786	\$52,472	\$56,721	\$55,405
5 Yr Forecast	\$64,581	\$52,760	\$53,344	\$57,464	\$56,657
Average Household Income	\$81,199	\$69,613	\$70,494	\$73,882	\$73,235
5 Yr Forecast	\$81,948	\$70,489	\$71,382	\$74,753	\$74,708
% High Income (>\$75K)	42%	33%	34%	37%	36%
Housing					
Median Home Value	\$220,284	\$212,631	\$215,478	\$232,327	\$226,074
Median Year Built	1965	1970	1971	1974	1972
Owner / Renter Occupied	63% / 37%	56% / 44%	58% / 42%	63% / 37%	61% / 39%

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Financing Options	
Seller Financing Offered?	TBD
Financing Amount Offered	TBD

Broker is willing to provide assistance with exploring funding options specific to buyer needs and qualifications.

The seller may be willing to provide seller financing depending on the offer and circumstances.



Example Loan	
Business Offer	375,000
Potential Loan to Value	90.00%
Loan Amount	337,500
Down Payment	37,500
Potential Rate / Months	10.50% / 120
Monthly Payment	4,554
2022 Discretionary Cash Flow	71,501
Annual Payment, Above Financing Example	54,649
Debt Service Coverage	1.31
Remaining Cash Flow	16,852
Cash / Cash Return with Loan Scenario	44.94%
Cash / Cash Return, All Cash Offer	19.07%

The financing example assumes the buyer utilizes an SBA loan.

Contact Broker,
Express Interest

Complete NDA &
Buyer Profile

Receive Confidential
Information Memorandum
& Supplementary
Documentation

Meet with
Business Broker

Meet with Business
Seller

Prepare Offer,
Put Down Deposit

Offer Accepted by
Seller

Complete Due
Diligence

Finalize Financing &
Lease

Fund
&
Close!

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AAI Financial Group (AAIFG) is our dedicated capital advisory arm that specializes in assisting clients to obtain financing for commercial properties. We are committed to providing superior capital market expertise, precisely managed execution, and unparalleled access to capital sources providing the most competitive rates and terms.

We utilize our relationships with commercial banks, life insurance companies, CMBS, private and public debt/equity funds, and agency lenders to provide our clients with a wide range of financing options.

Our dedicated, knowledgeable advisors work to understand you and your goals, gather all of the documents required, provide advice and manage the process from beginning to end while overcoming the challenges of financing.

Team

Dedicated back-office support team to focus on real estate and financing transactions.


Capital Access

Access to local, regional and nationwide lenders

Efficiency

Company wide operating system servicing real estate and financing utilizing the same team of members throughout the transaction.

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