

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

Location:

Central Washington

Business Offered At:

\$275,000

Sale Type:

Asset Sale

Real Estate Offered At:

See Separate Offering Memo

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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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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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 increases 7.5% at the beginning of years 6 and 11. The lease is assumable. The real estate is available for sale under a separate offering memorandum.

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	275,000
Asking Price, Real Estate	See Separate OM
Combined Asking Price	275,000
2020 Sales	572,044
2021 Sales	673,301
2022 Sales	642,888
2023 Sales	633,047
2020 Seller's Discretionary Earnings	43,399
2021 Seller's Discretionary Earnings	94,613
2022 Seller's Discretionary Earnings	71,501
2023 Seller's Discretionary Earnings	62,977*
Thru Mar 2024 Seller's Discretionary Earnings	17,303
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.



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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, 2023-2024 Company Prepared

Accounting Method: Cash	2019	2020	2021	2022	2023	Thru Mar 2024
3 Receipts or Sales	126,619	572,044	673,301	642,888	633,047	130,948
4 Cost of Goods Sold	76,182	226,293	283,234	261,496	251,094	42,263
5 Gross Profits	50,437	345,751	390,067	381,392	381,954	88,685
6 Other Income	-	1,187	5,107	4,545	-	-
7 Gross Income	50,437	346,938	395,174	385,937	381,954	88,685
8 Advertising	5,740	12,318	207	503	703	26
13 Depreciation	17,446	30,498	21,896	15,894	15,894	3,660
15 Insurance	1,107	3,228	4,338	4,069	3,053	839
16b Interest: Other	3,621	15,148	12,389	13,324	21,167	5,419
17 Legal / Professional	1,228	4,095	5,530	7,120	7,360	1,530
18 Office Expense	2,396	2,574	2,752	3,103	1,339	311
20b Rent: Other Business Property	32,625	76,125	87,000	87,000	79,750	21,750
21 Repairs and Maintenance	1,648	1,516	3,070	4,700	3,104	979
23 Taxes and Licenses	19,661	26,855	33,833	33,835	33,358	7,074
24a Travel	2,373	62	-	908	30	-
24b Deductible Meals	27	256	328	719	36	97
25 Utilities	1,178	7,198	7,775	8,386	9,307	1,905
26 Wages	34,736	150,881	132,606	135,816	153,927	30,597
27 Other Expenses	14,269	44,548	52,591	55,086	28,343	6,608
Amortization	1,222	1,333	1,333	1,333	1,333	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	357,371	80,794
29 Income (Loss)	(87,618)	(28,364)	30,859	15,474	24,583	7,891
EBITDA / Discretionary Income	(56,268)	43,399	94,613	71,501	62,977	17,303

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.

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	2023	Thru 3/2024
Accounting	370	-	-	-	-	-
Amortization	1,222	1,333	1,333	1,333	1,333	333
Bank Charges	90	443	485	467	372	54
Branding Fee	-	-	1,058	6,269	6,043	1,250
Computer & Internet Expense	949	325	1,267	2,916	2,780	735
Delivery and Freight	-	2,437	258	701	378	63
Donations	-	-	-	-	2,691	12
Dues and Subscriptions	70	320	202	187	57	48
Internet Expense	-	1,056	-	-	-	-
Janitorial	249	546	-	196	34	-
License & Permits	886	178	519	519	198	583
Mileage Expense	-	24,784	28,136	25,476	-	-
POS System	-	9,822	10,293	10,185	12,235	3,052
Postage	244	113	59	61	63	14
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	1,769	464
Total Other Deductions	14,269	44,548	52,591	55,086	28,340	6,608

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

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 NNN, 15 year lease with three 5 year options to extend. 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. The real estate is also available for sale under a separate offering memorandum.


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	275,000
Potential Loan to Value	90.00%
Loan Amount	247,500
Down Payment	27,500
Potential Rate / Months	10.50% / 120
Monthly Payment	3,340
2022 Discretionary Cash Flow	71,501
Annual Payment, Above Financing Example	40,076
Debt Service Coverage	1.78
Remaining Cash Flow	31,425
Cash / Cash Return with Loan Scenario	114.27%
Cash / Cash Return, All Cash Offer	26.00%

The financing example assumes the buyer utilizes an SBA loan.
2022 cash flow is used to account for timing mismatch of wage and price increase in 2023

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.