

Huntington Learning Centers Inc. Franchise Disclosure Document

Table 19-1 presents the Gross Revenue of the 2021 Open Franchise Centers, 2022 Open Franchise Centers, and 2023 Open Franchise Centers. For example, the 2023 Open Franchise Centers were open all of 2022 and 2023. The Gross Revenue at these centers during 2021, 2022, and 2023 averaged \$489,903, \$528,917, and \$561,327, respectively.

Table 19-1												
Gross Revenue of franchised Huntington Learning Center® businesses												
Results for the year	Criterion	# centers open the entire year	Average					Median				
			Average Gross Revenue	Number greater than average	Percent greater than average	Lowest Gross Revenue	Highest Gross Revenue	Median Gross Revenue	Number greater than median	Percent greater than median	Lowest Gross Revenue	Highest Gross Revenue
2021	Opened during 2020 or before	248	\$489,903	101	41%	\$145	\$2,897,184	\$419,013	124	50%	\$145	\$2,897,184
2022	Opened during 2021 or before	250	\$528,917	103	41%	\$59,244	\$2,692,251	\$452,010	125	50%	\$59,244	\$2,692,251
2023	Opened during 2022 or before	250	\$561,327	87	35%	\$52,681	\$2,978,837	\$477,596	125	50%	\$52,681	\$2,978,837

Table 19-2 presents the Gross Revenue by quartile for the 2023 Open Franchised Centers. These centers were open all of 2022 and 2023. For example, the Gross Revenue of the 63 centers that comprised the top quartile averaged \$1,040,490.

Table 19-2												
Gross Revenue by quartiles of the 250 2023 Open Franchise Centers												
Quartile	Number of franchised HLCs in this quartile	Average					Median					
		Average Gross Revenue	Number greater than average	Percent greater than average	Lowest Gross Revenue	Highest Gross Revenue	Median Gross Revenue	Number greater than median	Percent greater than median	Lowest Gross Revenue	Highest Gross Revenue	
Bottom 25%	62	\$230,939	36	58%	\$52,681	\$316,321	\$242,730	31	50%	\$52,681	\$316,321	
Mid-lower 25%	62	\$401,017	33	53%	\$316,604	\$473,357	\$407,358	30	48%	\$316,604	\$473,357	
Mid-upper 25%	63	\$565,073	24	38%	\$473,470	\$691,856	\$548,699	31	49%	\$473,470	\$691,856	
Top 25%	63	\$1,040,490	20	32%	\$698,433	\$2,978,837	\$926,503	31	49%	\$698,433	\$2,978,837	
All	250	\$561,327	87	35%	\$52,681	\$2,978,837	\$481,721	124	50%	\$52,681	\$2,978,837	

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Table 19-3 presents the Gross Revenue by half for the 2023 Open Franchised Centers. These centers were open all of 2022 and 2023. For example, the Gross Revenue of the 126 centers that comprised the top half averaged \$802,782.

Table 19-3											
Gross Revenue by halves of the 250 2022 Open Franchise Centers											
Quartile	Number of franchised HLCs in this half	Average					Median				
		Average Gross Revenue	Number greater than average	Percent greater than average	Lowest Gross Revenue	Highest Gross Revenue	Median Gross Revenue	Number greater than median	Percent greater than median	Lowest Gross Revenue	Highest Gross Revenue
Bottom half of the 2023 Open Franchise Centers by Gross Revenue	124	\$315,978	63	51%	\$52,681	\$473,357	\$316,604	61	49%	\$52,681	\$473,357
Top half of the 2023 Open Franchise Centers by Gross Revenue	126	\$802,782	48	38%	\$473,470	\$2,978,837	\$698,433	62	49%	\$473,470	\$2,978,837
All	250	\$561,327	87	35%	\$52,681	\$2,978,837	\$481,721	124	50%	\$52,681	\$2,978,837

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Table 19-4 presents the ratio of sales to Gross Revenue for Learning Center, Test Prep, Subject Tutoring, and Other services at the 2023 Open Franchised Centers. Percents may not total to 100% due to rounding. Other sales consist of Academic Evaluation fees, registration fees, and miscellaneous sales. For example, Learning Center Service averaged 63% of center sales at the 2023 Open Franchise Centers.

Table 19-4						
Sales by service of the 250 2023 Open Franchise Centers						
Service	Average			Median		
	Average ratio of sales to Gross Revenue	Number greater than average	Percent greater than average	Median ratio of sales to Gross Revenue	Number greater than median	Percent greater than median
Learning Center	63%	111	48%	62%	115	50%
Test Prep	23%	108	47%	22%	115	50%
Subject Tutoring	7%	86	37%	6%	115	50%
Other	7%	113	49%	7%	115	50%

Table 19-5 presents the Academic Evaluation ("AE") Rates at the 2023 Open Franchised Centers. The AE Rate is the ratio of the number of AEs to the number of inquiries. For example, the Learning Center AE Rate averaged 59%.

Table 19-5						
Academic Evaluation Rates of the 250 2023 Open Franchise Centers						
Service	Average			Median		
	Average AE Rate	Number greater than average	Percent greater than average	Median AE Rate	Number greater than median	Percent greater than median
Learning Center	59%	118	47%	58%	125	50%
Test Prep	72%	115	46%	71%	124	50%

Table 19-6 presents Learning Center Enroll Rates at the 2023 Open Franchised Centers at centers with at least two conferences during the year. The Enroll Rate is the ratio of the number of enrollments to the number of AEs. For example, the Learning Center Enroll Rate at the System's 250 HLCs averaged 69%, at the 125 HLCs that used Coaching, the rate averaged 72%, and at the 150 HLCs that used Virtual Conferencing, the rate averaged 71%.

Table 19-6							
Learning Center Enroll Rates at the 2023 Open Franchise Centers							
Group	Number of participating HLCs	Average			Median		
		Average Enroll Rate	Number greater than average	Percent greater than average	Median Enroll Rate	Number greater than median	Percent greater than median
System	250	69%	130	52%	69%	125	50%
Using Coaching	125	72%	68	54%	77%	50	40%
Using Virtual Conferencing	150	71%	84	56%	72%	53	35%

Table 19-7 presents the Exam Prep Enroll Rates at the 2023 Open Franchised Centers with at least two conferences during the year. The Enroll Rate is the ratio of the number of enrollees to the number of AEs. For example, the Exam Prep Enroll Rate at the System's 250 HLCs averaged 65%; at the 111 HLCs that used Coaching, the rate averaged 73%; and at the 111 HLCs that used Virtual Conferencing, the rate averaged 78%.

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Table 19-7							
Exam Prep Enroll Rates at the 2023 Open Franchise Centers							
Group	Number of participating HLCs	Average			Median		
		Average Enroll Rate	Number greater than average	Percent greater than average	Median Enroll Rate	Number greater than median	Percent greater than median
System	250	65%	162	65%	69%	125	50%
Using Coaching	111	73%	62	56%	76%	54	49%
Using Virtual Conferencing	111	78%	63	57%	81%	53	48%

Table 19-8 presents the hourly tuition rates from the 2023 Open Franchised Centers. For example, their Learning Center tuition rate averaged \$58 per hour and their Exam Prep tuition rate averaged \$79 per hour.

Table 19-8						
Hourly Tuition by service at the 2023 Open Franchise Centers						
Service	Average			Median		
	Average hourly tuition	Number greater than average	Percent greater than average	Median hourly tuition	Number greater than median	Percent greater than median
Learning Center	\$58	113	49%	\$57	115	50%
Test Prep	\$79	103	45%	\$77	115	50%

Table 19-9 presents the Length of Stay at the 2023 Open Franchised Centers. Length of Stay or "LOS" is the number of hours a student uses before ceasing instruction. For example, Learning Center Length of Stay averaged 90 hours.

Table 19-9						
Length of Stay of the 2023 Open Franchise Centers						
Service	Average			Median		
	Average LOS	Number greater than average	Percent greater than average	Median LOS	Number greater than median	Percent greater than median
Learning Center	90	113	49%	89	115	50%
Test Prep	42	99	44%	40	117	52%

Table 19-10 presents the monthly fees that the 187 franchised Centers that used the Call Center paid for its services and the monthly fees that the 187 franchised Centers that used Conference Services (i.e., Coaching and Virtual Conferencing) paid for its services in 2023. For example, the average Call Center fees were \$1,151 per month; and the average Conference Services fees were \$961 per month.

Table 19-10							
Average Monthly Fees Paid by Franchised HLCs Using Call Center Services, Coaching Services, and Virtual Conferencing Services in 2023							
Service	Number of participating franchised HLCs	Average			Median		
		Average fee per month	Number greater than average	Percent greater than average	Median fee per month	Number greater than median	Percent greater than median
Call Center	187	\$1,151	63	34%	\$978	92	49%
Coaching & Virtual Conferencing	187	\$961	57	30%	\$617	93	50%

Table 19-11 presents the monthly rent and square footage of the 6 new franchised HLCs that opened during 2022 and 2023. Rent is the first year's base rent plus common area maintenance (CAM) charges. Generally, rent increases in subsequent years due to negotiated rent increases. These HLCs are located

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in CT, FL, GA, NC, TX, UT. For example, their base rent and CAM averaged \$4,274 per month and they averaged 1,889 square feet in size.

Table 19-11						
Premises Rent and Square Footage at new franchised HLCs during 2022-2023						
Category	Average			Median		
	Average	Number greater than average	Percent greater than average	Median	Number greater than median	Percent greater than median
Rent	\$4,274	2	33%	\$3,933	3	50%
Square footage	\$1,889	2	33%	\$1,475	3	50%

Table 19-12 presents information about salaries (excluding bonus, taxes, and benefits) for the 400 teachers, 30 Center Directors/Center Managers, and 16 Assistant Directors who Company-Owned Centers employed in 2023. We calculated the number greater than average, percent greater than average, number greater than median, and percent greater than median based on the number of centers in which teachers worked. We calculated these statistics for Assistant Directors and Center Directors/Center Managers based on the number of individuals who worked at these centers. In addition to salaries, Huntington Learning Corporation pays bonuses to its Assistant Directors and Center Directors/Center Managers. Teacher pay as a percent of revenue and teacher, Assistant Director, and Center Director/Center Manager salaries may differ substantially at franchised HLCs.

Table 19-12						
Salaries at the Company-Owned Centers open all or part of 2023						
Category	Average			Median		
	Average	Number greater than average	Percent greater than average	Median	Number greater than median	Percent greater than median
Teacher pay as a percent of gross revenue	22.0%	173	43%	22.0%	183	46%
Assistant Director base salary	\$44,559	10	63%	\$45,006	6	38%
Center Director /Manager base salary	\$53,600	16	53%	\$54,595	15	50%

Gross Margin

This section estimates that the Open Franchise Centers achieved a 2023 Gross Margin of \$176,493 and a Gross Margin Percent of 31%. Gross Margin is Gross Revenue (\$561,327) less Principal Expenses (\$384,834) and Gross Margin Percent is the ratio of Gross Margin to Gross Revenue.

"Principal Fixed Expenses" are rent, advertising, full-time payroll, Call Center fees, Coaching and Virtual Conferencing fees, and Training and Technology fees. You may consider other expenses to be Principal Fixed Expenses. We excluded Virtual Testing, since we did not offer it in 2023. Fixed expenses are the expenses you can forecast with some confidence, because they typically do not change significantly from month to month. (Note that Call Center fees and Coaching and Virtual Conferencing fees vary from month to month. However, over the course of a year, they tend to total to the figures used in this section). From Table A, these annual expenses average \$51,288 (for rent), \$57,000 (for minimum advertising), and \$53,600 (for full-time payroll for one Center Manager - excluding bonus, payroll tax, and benefits). Using the medians from Table A we estimate these annual expenses as \$11,731 (for Call Center fees), \$7,404 (for Coaching and Virtual Conferencing fees). Training and Technology Fees are \$15,600. Using these figures, 2023 Principal Fixed Expenses totaled \$196,624.

"Principal Variable Expenses" are teacher pay, royalty, and Huntington Ad Fund payments. Variable expenses are expenses that vary depending on many factors, including revenue. You may consider other expenses to be Principal Variable Expenses. Using the average 2023 Open Franchise Center revenue of \$561,327 from Table A, these annual expenses averaged \$123,657 (teacher pay at 22.0% times revenue), \$53,326 (royalty at 9.5% times