



PICKLEBALL INDUSTRY

WHITE PAPER

JUNE 2024

Key Takeaways

- Since the pandemic, the pickleball sports industry has witnessed a massive upsurge in popularity witnessing 85.7% year-over-year increase and a staggering 263.5% rise in the number of players since 2014.
- Pickleball sport is seeing a shift towards a younger and more affluent demographics, opening substantial market opportunities for companies in the industry, including equipment manufacturers, apparel brands, and facility operators.
- With a growing demand for pickleball and a shortage of public outdoor courts, indoor clubs have seized an opportunity. Indoor facilities offer better court quality, availability, and consistent play regardless of weather. Players are willing to pay fees for these advantages, creating a viable market. Currently, nearly 200 indoor pickleball clubs operate across the United States to meet this increasing demand.
- The franchising landscape in the pickleball industry is continuously gaining momentum, with eight franchise brands operating indoor pickleball clubs that started franchising in 2023.
- At this early stage, brands are competing fiercely for market share, and new entrants are likely to emerge. Success will favor those who establish a robust growth strategy and demonstrate agility in responding to rapidly evolving industry needs, over those who focus solely on expansion and market dominance.
- There are two major business models: court-focused business model and entertainment-driven business model.
- Four of the eight brands have awarded more than 100 units each, with The Picklr leading the way with 276 units in the development pipeline. With each brand growing fiercely and limited availability of quality real estate, real estate challenges are the major hurdle brands face in growing their footprint.
- Some brands have low capital requirements to qualify franchisees compared to their peers. Awarding high initial investment units to unqualified franchisees is a significant risk that could result in a higher rate of franchisee closures and financial distress and negatively impact the overall health and quality of growth.
- Ensuring lender confidence in financing is crucial for franchise growth, focusing on franchisee financial strength and brand reputation. Key requirements include strong financial metrics, robust business plans, high credit scores, and significant equity injections. Court-focused models need strong management and membership plans, while entertainment-driven models require substantial investment and expertise. Meeting these criteria helps brands secure favorable financing and support growth targets.
- The Picklr, Pickleball Kingdom and Dill Dinkers have adopted a regional developer strategy and Pickleball Kingdom has adopted a master franchisee model to facilitate faster growth in the domestic market. However, this approach can result in potential challenges, such as impaired franchisee support and operational consistency, due to the reliance on regional developers and master franchisees who may not have sufficient resources to effectively support franchisees.
- Pickleball Kingdom, The Picklr, and Dill Dinkers are all actively pursuing international expansion, with Pickleball Kingdom aiming to penetrate every country within the next five years. International expansion is a complex and costly endeavor that places a considerable strain on franchisor

resources, particularly development resources. The domestic market is still in its early stages, necessitating substantial support from franchisors to meet unit-opening targets, ongoing support and training. Expanding internationally could divert resources intended for the domestic market, potentially compromising support for franchisees in the U.S.

- Ace Pickleball Club founding and executive team combines 75+ years of experience in franchise development. Pickleball Kingdom boasts over 8 years of franchising expertise, Dill Dinkers has more than 50 years of experience, PickleRage has nearly 20 years, and The Pickle Pad possess over 70 years of franchising experience within its management team. The Pickle Pad is part of the platform company “Indoor Active Brands” backed by NRD Capital.
- Based on publicly available AUV data, PKL, an entertainment-focused concept, generated nearly four times more revenue than court-focused concepts with an EBITDA margin of 11%.
- According to Google ratings, Ace Pickleball Club ranks at the top among all the compared brands. This high rating reflects strong customer satisfaction and positive feedback, which underscores the brand's effective management and operational excellence.
- On average, pickleball brands require between 20,000 and 40,000 square feet of real estate space per club. Depending on the available space, clubs typically feature 8 to 15 courts. Fitness-focused brands generally offer more courts compared to entertainment-driven brands.
- Entertainment-driven pickleball brands tend to have higher initial investment requirements, resulting in higher costs per square foot, which require stricter franchisee selection criteria to ensure financial stability and operational success.
- Pickleball facility market hinges on meticulous site selection that aligns with demographic trends, zoning regulations, and landlord preferences favoring established brands, all of which are pivotal in navigating the competitive real estate landscape.

For anyone considering buying a franchise, it is important to consult a qualified, specialized franchise attorney. FRANdata is a market research agency, not a law firm. This paper does not provide legal advice but rather a market research analysis.

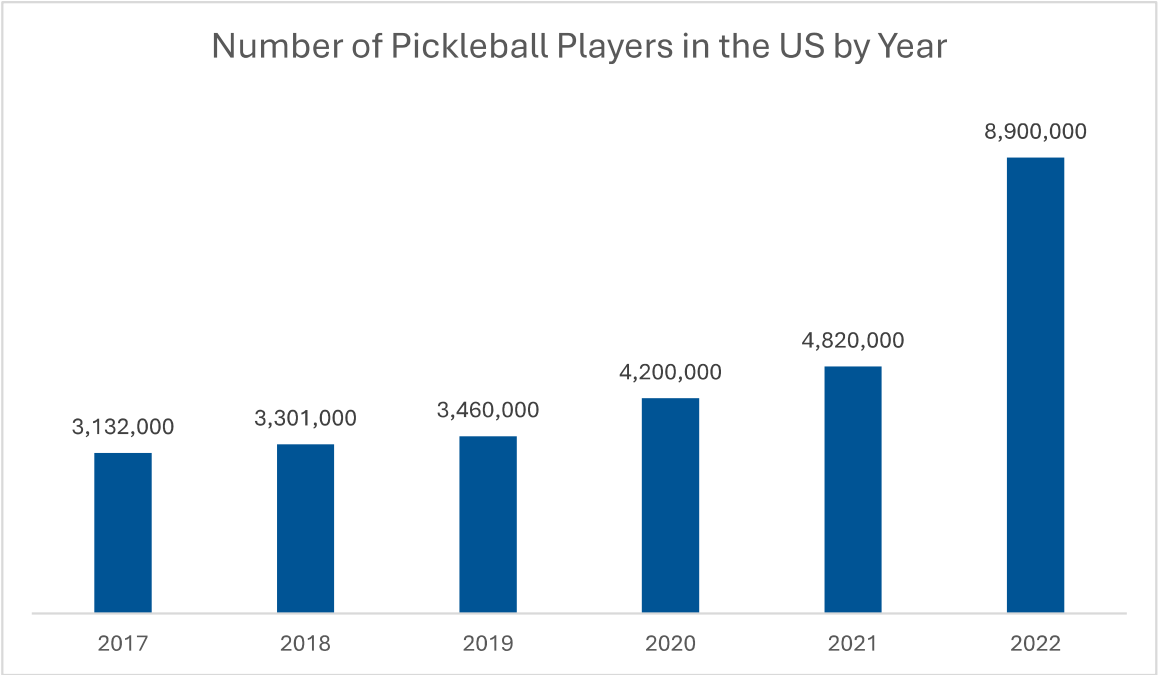
Pickleball's Evolution Reflects Shifting Demographics and Surging Popularity

America's fastest growing sport – Pickleball!

Pickleball is taking America by storm, earning its title as the country's fastest-growing sport. This dynamic game, a blend of tennis, badminton, and table tennis, offers something for everyone. It's played with a paddle and a perforated plastic ball on a court like badminton but with a modified tennis net, suitable for both indoor and outdoor play.

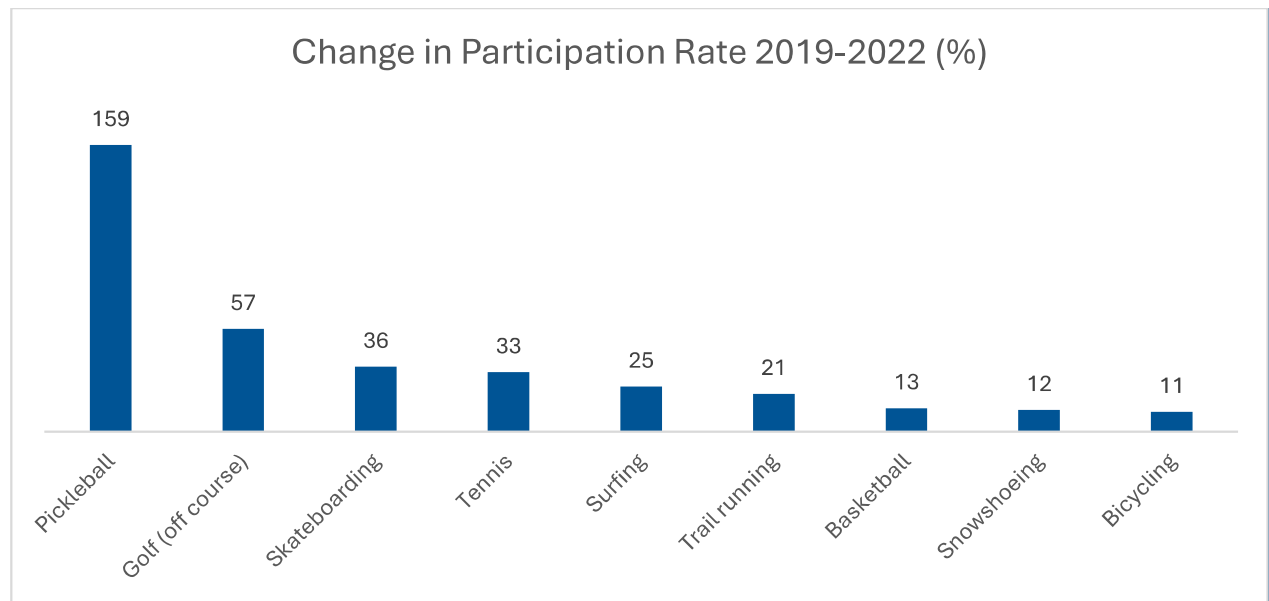
According to the Sports & Fitness Industry Association (SFIA), more than 13.6 million people played pickleball across the United States in 2023. This marks a significant leap from 2022, when 8.9 million players engaged in the sport, reflecting an 85.7% year-over-year increase and a staggering 263.5% rise since 2014.

The COVID-19 pandemic played a pivotal role in accelerating pickleball's popularity. As a socially distanced activity, it allowed people to stay active and socialize safely. Between 2019 and 2021, the number of players grew by 39%, prompting many cities to convert tennis and basketball courts into part-time or full-time pickleball venues.



Source: Sports & Fitness Industry Association (SFIA), Pickleheads

Demographic Shifts and Economic Opportunities



Source: Sports & Fitness Industry Association (SFIA), McKinsey

The participation rate of pickleball increased by 159% from 2019 to 2022, the highest for any other sports in the US.

In 2021, players aged 55 and above constituted the largest age group among pickleball participants, accounting for 19.8% of the total player base. Following closely behind, players aged 18 to 34 represented the second-largest demographic, comprising 18.5% of total participants.

During the same year, the average age of pickleball players stood at 38.1 years, marking a notable decrease from the 2020 average of 41.0 years, reflecting a decline of 2.9 years. This decline of 2.9 years in just a single year underscores the rapid transformation taking place within the pickleball community.

Pickleball player growth in 2021 saw the most significant increase among players under the age of 24, with a remarkable 21% increase over the previous year. Conversely, growth among players aged 55 and older was slightly slower, registering a 10% year-over-year rise.

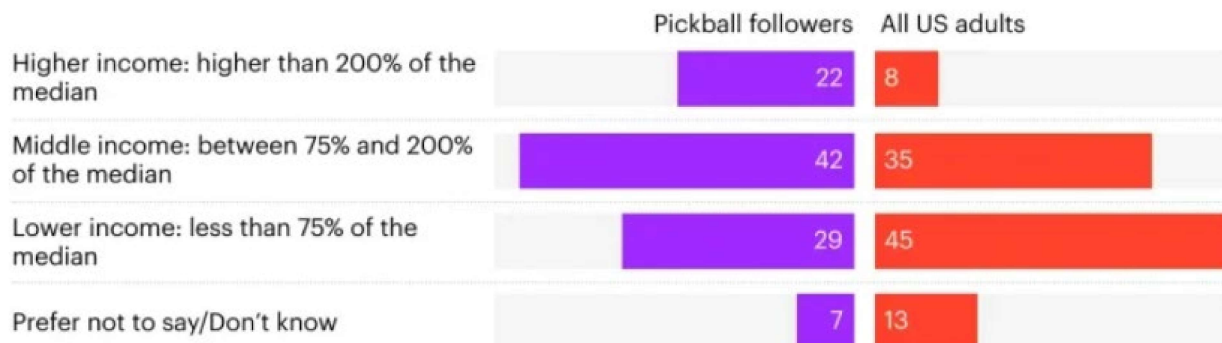
This trend towards younger players indicates that pickleball is becoming increasingly appealing and accessible to children, teenagers, and young adults. This broadening demographic is crucial for the sport's long-term sustainability and growth, as it ensures a continuous influx of new participants who are likely to promote and play the sport for many years.

Moreover, the sport's appeal is not just limited to a wide age range but also spans across different income brackets. A higher proportion of pickleball players come from higher (22% vs. 8%) and middle-income brackets (42% vs. 35%) compared to the general population. This economic diversity represents a substantial market opportunity for companies involved in the pickleball industry, including equipment manufacturers, apparel brands, and facility operators.

A fifth of Americans Pickleball followers belong to a higher income group



% of US adults



YouGov

YouGov Profiles | March 2023

Source: YouGov¹

The burgeoning interest in pickleball has led to a booming market for related products and services. The demand for paddles, balls, apparel, and accessories is at an all-time high, with companies continually innovating to cater to both amateur and professional players. Brands such as Selkirk Sport, Paddletek, Onix, and Franklin Sports are leading the way in product development and sales.

Furthermore, the construction of pickleball facilities is on the rise. Communities are investing in dedicated pickleball courts and converting existing sports courts to accommodate the growing number of players. This infrastructure development not only supports the increasing player base but also enhances community engagement and provides social and health benefits.

¹ [“Serving Pickleball – Understanding Demographics and Key Behaviours.”](#) YouGov, 27 Mar. 2023.

Pickleball Boom Drives Sixfold Increase in Court Demand Nationwide

Brands get aggressive to capitalize on pickleball popularity!

The rapid surge in pickleball's popularity has led to a significant increase in the demand for pickleball courts across the United States. Communities, recreational centers, and local governments are responding by investing in new facilities and repurposing existing sports courts to accommodate the growing number of enthusiasts. Tennis courts, basketball courts, and other multi-use sports areas are frequently being converted into dedicated or part-time pickleball venues. This trend is particularly evident in parks, YMCAs, schools, community clubs, and residential neighborhoods.

Since 2017, the number of public pickleball courts in the 100 largest U.S. cities has increased sixfold, rising from 420 to 2,788. Despite this significant growth, municipal leaders report that they still cannot keep up with the high demand from pickleball enthusiasts².

The pickleball industry has seen a surge in indoor pickleball clubs emerging to meet the growing demand. These indoor facilities offer distinct advantages over outdoor courts:

- **Superior Court Quality:** Indoor courts offer smooth, well-lit surfaces with firm, precisely positioned nets, providing a significantly better playing experience compared to gym floors, cracked asphalt, and temporary nets.
- **Consistent Play Conditions:** Indoor facilities eliminate the limitations of outdoor play caused by weather conditions such as heat, cold, wind, and darkness, allowing for year-round play.
- **Better Court Availability:** Clubs can manage overcrowding by controlling the number of players per court, reducing wait times and ensuring more consistent access to play.
- **Leveled Play:** Clubs offer leveled play, allowing players to compete against others of similar skill, while still maintaining options for casual open play.
- **Enhanced Programming:** Successful clubs provide diverse player events and experiences, such as leagues and ladders, offering more engagement and variety for players.
- **Comfortable Amenities:** Indoor clubs feature amenities like temperature control, lockers, showers, comfortable seating, viewing areas, stretching areas, retail gear, and proper lighting, creating a more inviting environment.
- **Advanced Technology:** Modern clubs use easy booking and scheduling systems, and some offer auto-scoring systems and video replays to enhance the playing experience. Ace Pickleball Club allows customers to play without needing to book in advance. In contrast, all other brands require players to reserve courts ahead of time.

Life Time Fitness is the biggest operator of pickleball courts in the US. Life Time added its first pickleball court in 2021 by renovating and converting its existing tennis and badminton courts. In February 2022, Life Time opened its first pickleball only destination with five indoor courts, a full bar and lounge space

² Kingson, Jennifer A. "[The Best Cities for Pickleball Players.](#)" Axios.

and a dedicated viewing area. Since then, Life Time has more than 500 permanent pickleball courts and has witnessed an 841% increase in unique participants in pickleball³.

Besides Life Time, there are more than 200 other pickleball clubs in the U.S. offering indoor courts, with most launching post-pandemic to leverage the sport's growing popularity. An exception is Chicken N Pickle, which began in 2015. Currently, Chicken N Pickle operates 10 units across five states and plans to open six additional units in 2024 and 2025.

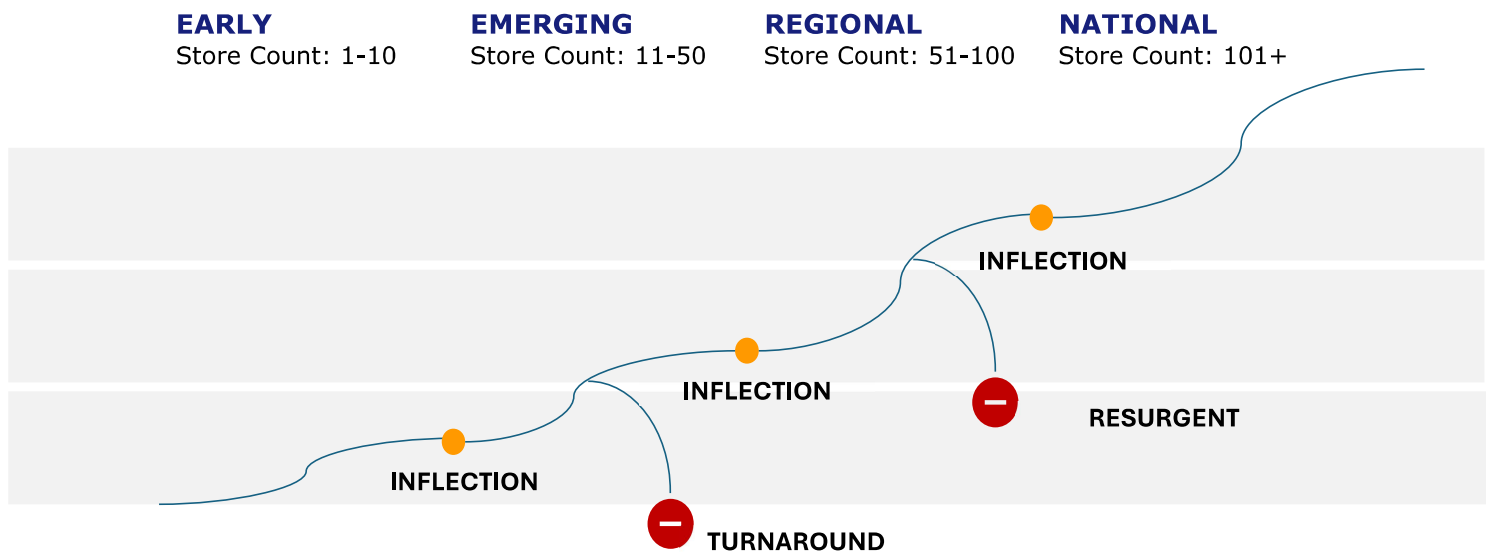
As the sport continues to attract a diverse range of participants, from young children to older adults, the proliferation of pickleball courts is set to keep pace, ensuring that players have ample opportunities to engage in this dynamic and inclusive sport.

³ Life Time 10-K

Franchising Landscape in Pickleball Industry

There are currently eight franchise brands in the US. All brands started franchising their operations in 2023.

Brand Name	Year First Start Franchising
Ace Pickleball Club	2023
Crush Yard	2023
Dill Dinkers	2023
Pickleball Kingdom	2023
PickleRage	2023
PKL	2023
The Pickle Pad	2023
The Picklr	2023



The pickleball industry is in its early stages, with most brands established recently. Franchisors at this stage focus on gaining market share and establishing their presence, resulting in varied business models and diverse growth strategies. The continuous entry of new brands further intensifies competition.

While aggressive market capture strategies are appealing, they carry significant risks. Successful franchises depend on well-established systems and processes, which require time and refinement. Ignoring this in favor of rapid expansion can lead to franchisee failures.

As the industry matures, one business model may prove superior, shaping the industry's future. A balanced approach that emphasizes both growth and the continual improvement of franchise operations is essential for long-term success and stability in the pickleball market.

Franchising Business Models in the Pickleball Industry

Pickleball industry currently has two primary business models in franchising space:

1. Court-Focused Model:

- Prioritizes sports and fitness enthusiasts.
- Focused on pickleball courts and maximizing occupancy.
- Typically, there are 8-15 courts per location, depending on real estate.
- Revenue is primarily driven by court occupancy, supported by both membership models and pay-per-use (nickel and dime) models. Could benefit significantly from recurring membership fees, similar to established fitness concepts such as Planet Fitness.
- Court-focused brands are more agile, allowing them to grow faster and establish their leadership position as national brands.
- Ace Pickleball Club and The Picklr are examples of health and fitness-focused pickleball concepts. Other similar brands include Pickleball Kingdom, Dill Dinkers, and PickleRage, which also emphasize fitness but offer limited food and beverage options.

2. Entertainment-Driven Model:

- Combines pickleball courts with food, beverage, and other entertainment activities.
- Focuses less on fitness and more on creating a dining and entertainment experience with significant non-court activities.
- Requires larger real estate to accommodate extensive kitchen setups and dining areas.
- Diversified revenue streams, leading to complex operations, necessitating active management of pickleball as well as food & beverage operations.
- Higher labor costs and demands for greater expertise from franchisees to effectively handle both the fitness and entertainment aspects of the business. Additionally, a focus on food may limit these franchises' ability to grow quickly into a national chain.
- Competes with other entertainment-driven offerings such as bowling alleys, miniature golf courses, movie theaters, etc.
- Franchise businesses that operate entertainment-driven models are PKL, Crush Yard, and The Pickle Pad.

Considering the industry's dynamics, court-focused pickleball clubs are expected to evolve like gyms, attracting a wide range of members. These clubs will draw in casual players seeking fitness and recreation, as well as serious and professional players, demonstrating the broad appeal of a dedicated playing environment. As a result, many will be willing to pay membership fees for access to these facilities.

Conversely, entertainment-based pickleball courts will remain popular among individuals looking for occasional, leisurely outings.

Domestic Growth Strategies

Brand Name	Units Sold
Ace Pickleball Club	100 units
Crush Yard	2 units
Dill Dinkers	154 units ⁴
Pickleball Kingdom	140+ units ⁵
PickleRage	None
PKL	None
The Pickle Pad	6 units
The Picklr	276 units ⁶

With many units being awarded by franchisors, brands are clearly in an aggressive growth phase. However, focusing solely on expansion without careful planning can impose serious financial and operational constraints on the franchisor. Key considerations for successfully onboarding new franchisees include:

- Experienced Multi-Unit Franchisees:** Onboarding multi-unit, multi-brand franchisees ensures that new operators have the financial capability and business acumen necessary for success. For example, Ace Pickleball Club has recruited franchisees from dozens of established brands like Hand & Stone Massage, Orangetheory Fitness, The Joint Chiropractic, etc. These experienced operators can effectively navigate the challenges associated with new brands and are often good indicators for a franchise brand’s long term success. Partnering with experienced multi-unit franchise operators offers significant advantages, including enhanced stability within the franchise system, operational efficiencies for the franchisor, stronger relationships between franchisors and franchisees, and accelerated growth through the opening of multiple locations simultaneously.
- Experienced Franchisor Management:** Franchisor management should possess significant experience in franchise development to adequately support new unit growth. This includes real estate support, training, and operational assistance, which are critical for both franchisee and franchisor success. Ace Pickleball Club founding and executive team combines 75+ years of experience in franchise development. Pickleball Kingdom boasts over 8 years of franchising expertise, Dill Dinkers has more than 50 years of experience, PickleRage has nearly 20 years, and The Pickle Pad possess over 70 years of franchising experience within its management team. The Pickle Pad is part of the platform company “Indoor Active Brands” backed by NRD Capital.

⁴ [“Dill Dinkers Bring More Pickleball to Our Area.”](#) Prince William Living, 1 Apr. 2024.

⁵ [“Pickleball Kingdom Takes the Throne Becoming the First Global Pickleball Powerhouse.”](#) PR Newswire, 15 Apr. 2024.

⁶ [“2,760 New Courts in United States as It Looks to Expand Internationally.”](#) PR Newswire, 18 Apr. 2024.

- **Robust Support Systems:** Ensuring that support systems are aligned with growth is crucial. This includes real estate support, training, and operational assistance, which are critical for franchisee and franchisor success. Ace Pickleball Club, Pickleball Kingdom, The Picklr, PKL, and PickleRage provide on-site support post opening while other brands don't.
- **Selective Franchisee Onboarding:** Avoid offering discounts on initial franchise fees to ensure that only well-qualified franchisees are selected. Brands like Ace Pickleball Club, Dill Dinkers, and The Pickle Pad currently refrain from offering such discounts. Another important aspect of selective franchisee onboarding is qualifying financial requirements. The big box retail concept for pickleball facilities necessitates well-qualified franchisees who are financially stable because the initial investment levels are quite high. This is due to the substantial costs associated with building or leasing large spaces, purchasing equipment, and implementing necessary infrastructure. Landlords of big box anchor spaces also place a tremendous amount of scrutiny on the personal financials of potential tenants due to the risk of undercapitalized franchisees defaulting on their lease obligations. Franchisees need to have a solid financial foundation and business acumen to even be considered by big box retail landlords and to ensure the success and sustainability of such ventures.

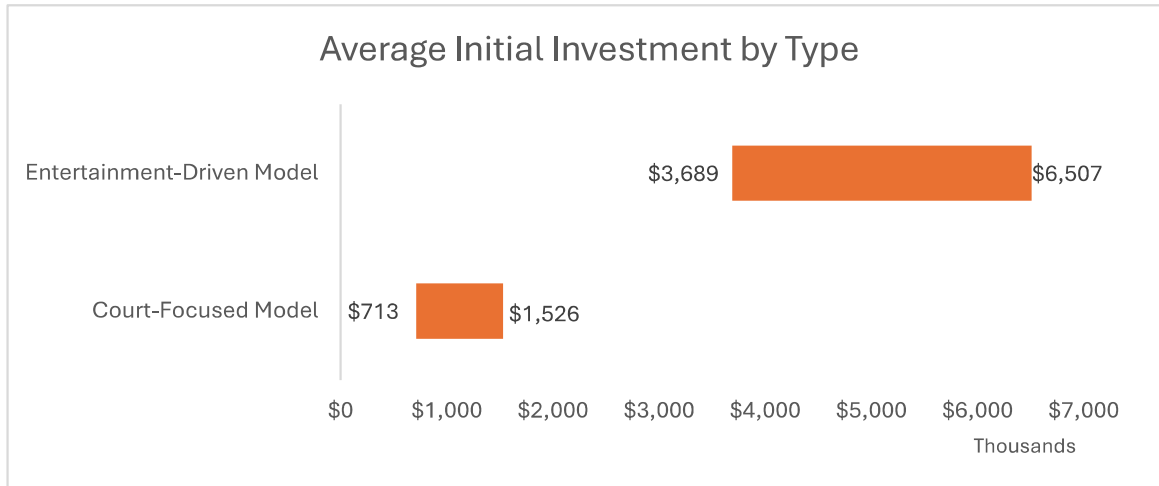
Brands adopting the entertainment model should ideally impose significantly higher initial investment requirements compared to court-focused brands. These higher requirements demand stringent franchisee selection criteria to ensure financial stability and operational success.

Allocating units with substantial initial investments to unqualified franchisees could result in increased closures and financial challenges among franchisees, adversely affecting the overall network. Higher liquidity requirements ensure that franchisees possess the financial foundation needed to support a brand's comprehensive and resource-intensive operations.

The summary below outlines the initial investment required by each brand and the financial qualifications established for franchisees.

Brand Name	Business Model	Initial Investment (min)	Initial Investment (max)	Initial Investment (average)	Minimum Liquidity Requirement	Net Worth
Ace Pickleball Club	Court-Focused	\$940,250	\$1,894,850	\$1,417,550	\$750,000	\$2 million
Crush Yard	Entertainment-Driven	\$6,518,580	\$9,965,715	\$8,242,148	NA	NA
Dill Dinkers	Court-Focused	\$328,961	\$765,046	\$547,004	\$100,000	\$500,000
Pickleball Kingdom	Court-Focused	\$867,000	\$2,237,600	\$1,552,300	\$400,000	\$1 million
PickleRage	Court-Focused	\$787,800	\$1,715,200	\$1,251,500	\$200,000	NA
PKL	Entertainment-Driven	\$3,179,200	\$7,528,700	\$5,353,950	NA	NA
The Pickle Pad	Entertainment-Driven	\$1,370,000	\$2,027,500	\$1,698,750	\$400,000	\$1.5 million

Brand Name	Business Model	Initial Investment (min)	Initial Investment (max)	Initial Investment (average)	Minimum Liquidity Requirement	Net Worth
The Picklr	Court-Focused	\$540,400	\$1,178,300	\$859,350	NA	NA



The Picklr awarded 66 units to a franchisee⁷ that is now seeking public investment to open the clubs. It is unusual for a start-up franchisor to sign so many units with a start-up franchisee operator (although the executives have franchise experience in other concepts) when the operator needs to seek public investment funding. This strategy could pose risks, including financial instability due to the uncertainty of securing necessary funds, and pressure from investors expecting returns. The franchisee, Waymor Sports Inc. opened its first pickleball club on March 23, 2024.

The Picklr, Pickleball Kingdom, and Dill Dinkers are using regional developer strategies to expand their market share. Regional developers are responsible for recruiting prospective franchisees and providing support and training on behalf of the franchisor. These strategies are risky for a brick-and-mortar concept, especially for one as new as pickleball. Franchisees with no experience in operating a pickleball business, or any business, are responsible for selling franchises to other new franchisees and then training and supporting them. Additionally, Pickleball Kingdom employs master franchisee⁸ agreements, where master franchisees enter agreements with unit franchisees on behalf of the franchisor. Fees are split between the franchisor and the master franchisee. While this strategy can drive rapid growth, it is risky because unit franchisees do not sign agreements directly with the franchisor and must rely on master franchisees who may lack the resources to adequately support them.

Another critical aspect of selective franchisee onboarding is ensuring that lenders feel confident in financing loans, which is essential for the brand's growth. FRANdata conducted three interviews with lenders who have evaluated pickleball club business and provided financing to the borrowers in the industry. While lenders recognize the rising demand for pickleball facilities, they prioritize the financial strength of the franchisee seeking the loan and the brand's reputation. This emphasis on stringent criteria stems from the loan's size and the business model's complexity. Common requirements include

⁷ Waymor Sports Inc. Announcement, "[THE WORLD'S LARGEST PICKLR FRANCHISEE.](#)"

⁸ Vellner, Greg. "[Bucks County Likely to Get Pickleball Kingdom Franchises.](#)" 15 Jan. 2024.

strong financial metrics, robust business plans, credit scores preferably above 700, and significant equity injections, especially for new franchisees.

For court-focused business models, lenders seek a strong management team with effective plans for membership growth and retention. While entertainment-driven models that include food, beverage services, and entertainment require borrowers to demonstrate significant investment and expertise.

Lenders demand criteria that go beyond market viability and demand assessment. Brands must understand these requirements and ensure their franchisees can meet them to secure financing at favorable rates. This can be achieved by selecting the right franchisees and showcasing the brand's strength during the lender's evaluation process. It is crucial to emphasize the quality of operations, the soundness of unit economics, and the presence of comprehensive business plans and operation manuals.

Brands that establish strong relationships with lenders and meet their requirements will benefit as they pursue their aggressive growth targets.

System Size Analysis

Brand Name	Total No. of Locations (YTD)	End of Year Franchised Units 2023	No. of Franchised Unit Openings 2023	No. of Company-Owned Units 2023	Signed but Not Opened (As of December 2023)	Projected Unit Openings 2024	FRANdata Comments
Ace Pickleball Club	3	0	0	1	25	19	Ace Pickleball Club's 2023 projections were accurate. So far in 2024, Ace Pickleball Club has opened 2 units, with 11 more units scheduled to open by year end, falling just short of projections.
Crush Yard	1	0	0	1	0	0	N/A
Dill Dinkers	11	N/A	N/A	N/A	N/A	N/A	N/A
Pickleball Kingdom	2	0	0	1	27	9	Pickleball Kingdom projected the opening of 3 units in 2023 but did not open any. For 2024, they have a conservative estimate of opening 9 units.
PickleRage	2	0	0	0	0	0	N/A
PKL	1	N/A	N/A	N/A	N/A	N/A	N/A

Brand Name	Total No. of Locations (YTD)	End of Year Franchised Units 2023	No. of Franchised Unit Openings 2023	No. of Company-Owned Units 2023	Signed but Not Opened (As of December 2023)	Projected Unit Openings 2024	FRANdata Comments
The Pickle Pad	1	0	0	0	0	1	N/A
The Picklr	11	1	1	7	48	40	The Picklr projected to open 22 units in 2023, but only managed to open one, which was a company-operated location that was sold to a franchisee. The company currently has 20 locations under construction that will open during the remainder of 2024, which is half of what was projected for 2024.

Risks of International Expansion

With the domestic pickleball market still in its early stages, brands contemplating international expansion risk overextension and distraction. Effective international growth should ideally follow domestic market maturation, leveraging high cash flow from established markets to fund global ventures. For example, Chick-fil-A began franchising in the U.S. in 1987 and expanded to neighboring countries, opening in Canada in 2017 and Puerto Rico in 2021. The brand currently operates around 2,500 units in the U.S. and is now planning to expand to Europe and Asia by 2026, with the goal of establishing a presence in five international markets by 2030. This phased approach underscores the importance of solidifying domestic operations before pursuing international opportunities.

Franchise markets vary significantly across countries, with differing rules and regulations imposing substantial risks and costs. In the early phase of domestic market development, characterized by rapid changes and increasing competition, international expansion can be appealing to the brands due to large upfront fees that can help fuel a nascent franchise brand. However, brands need to exercise caution when planning international expansion due to the higher risks and costs associated with it. Early-stage brands often face a cash burn phase, spending more than they earn. Expanding internationally under such conditions can strain resources, leading to financial instability. Additionally, such strategies place a significant strain on the franchisor's resources. International expansion demands extensive work, including real estate due diligence, supplier negotiations, and market viability assessments. This strain, coupled with divided attention, can result in subpar outcomes for domestic franchisees as support systems struggle under the pressure of expanding to international markets.

Brands like Pickleball Kingdom, which is expanding to Dubai, India, and Abu Dhabi, exemplify the risks of premature global ventures. With over 140 units in development domestically, their international strategy may outpace their support capabilities. CEO Ace Rodrigues stated, "The time has come. This is our entry onto the international stage. We will be in every country in the world inside of 5 years. One of our value statements is, 'Pickleball is good for you physically, socially, and spiritually.' I can't wait to hear, 'Welcome to the Kingdom!' spoken in every language on the planet! Teammates, get ready, the Kingdom is coming!"⁹ Brands cannot simply jump on a lead and see it as a ticket into a new country; validating the opportunity is an essential step. Brands need to ensure the quality of operations and the soundness of unit economics. A key aspect of franchising is providing franchisees with an operations and standards manual designed to minimize costs and maximize profits. Aggressive international expansion, such as entering multiple countries within five years, can strain a business and create a negative image in new markets before the brand has truly established itself. Similarly, The Picklr's plans for expansion into Canada, Australia, New Zealand, and the European Union may face challenges due to relatively low demand in these regions compared to the U.S. and the resource constraints on the development side¹⁰.

⁹ "[Pickleball Kingdom Takes the Throne Becoming the First Global Pickleball Powerhouse.](#)" PR Newswire, 15 Apr. 2024.

¹⁰ "[The Picklr Announces 2,760 New Courts in United States as It Looks to Expand Internationally.](#)" PR Newswire, 18 Apr. 2024.

Key considerations for franchisors contemplating early international expansion include:

- **Regulatory Complexity:** Diverse franchise markets with varying regulations demand substantial time and resources, potentially distracting from domestic growth.
- **Mature Market Advantage:** International growth is more sustainable when supported by robust cash flows from a mature domestic market.
- **Resource Constraints:** Concurrent cash burn phases in domestic and international markets can strain resources and risk franchisee failure. The brand's expansion efforts may also overwhelm its development capacity, potentially diverting resources originally built for domestic franchisees. Resource constraints can lead brands to enter international markets prematurely without assessing market viability and planning their development strategy, which may later prove to be a loss-making strategy that hurts the brand and existing franchisees.
- **Demand Variability:** International markets may not yet exhibit the high demand seen in the U.S., so cautious expansion is needed to avoid overexpansion.
- **Domestic Market Focus:** International expansion can distract franchisors and potentially lead to a loss of domestic market share as new and existing competitors intensify their efforts.
- **Talent Management:** Finding the right management, especially selecting capable master franchisees, is the biggest challenge when expanding into international markets. When Roll'd Vietnamese decided to expand from Australia to the U.S.¹¹, it brought key employees along. The goal was to build a strong local team, so they sent their top management to build, train, and develop the culture necessary for success. This illustrates why brands often face resource constraints when expanding into multiple markets at the same time, with the home market still in its infancy. It underscores the need for gradual international expansion, focusing first on stabilizing and growing the home market before moving into new regions.

¹¹ Patel, Raghav. [“The Biggest Mistakes Franchisors Make When Going International.”](#) 24 May 2022.

Franchisor Management

Brand Name	In-house Design	Real Estate Team	Franchise Experience
Ace Pickleball Club	Ace Pickleball Club has in-house procurement, construction, and design teams. The teams are headed by the Chief Development Officer, Vincent Barrios, who brings over 20 years of experience from working with franchise brands such as Sky Zone.	Ace Pickleball Club's leadership includes a Chief Growth Officer responsible for site selection, real estate development, and market analysis. Diego Pacheco, the current Chief Growth Officer, has over 10 years of experience leading commercial real estate acquisitions, franchise development, and asset management.	The co-founders and executive team of Ace Pickleball Club bring over 75 years of combined franchising experience, including developing brands like Mathnasium and Sky Zone Trampoline Parks. Their expertise covers franchise development, white space analysis, site selection, marketing, operations, training, and franchisee support.
Crush Yard	Does not have an in-house design team.	Does not have a real estate team.	The leadership lacks franchising experience. They have hired tennis/racket sport pro players to enhance industry credibility.
Dill Dinkers	Does not have an in-house design team.	Does not have a dedicated real estate team in-house.	Dill Dinkers boasts extensive franchising experience. Founder Will Richards has approximately 20 years of experience as both a corporate executive and franchisee of Domino's Pizza. Chief Development Officer Dr. Ben Litalien, CFE, is a professor at two universities and has led the Georgetown franchise management certificate program. He brings around 30 years of experience in franchise consulting.
Pickleball Kingdom	Pickleball Kingdom has in-house design team headed by Director of Design who has more	Pickleball Kingdom has dedicated real estate team led by Paterick Clark who has prior	Pickleball Kingdom was founded by CEO Ace Rodrigues, who has over 30 years of business

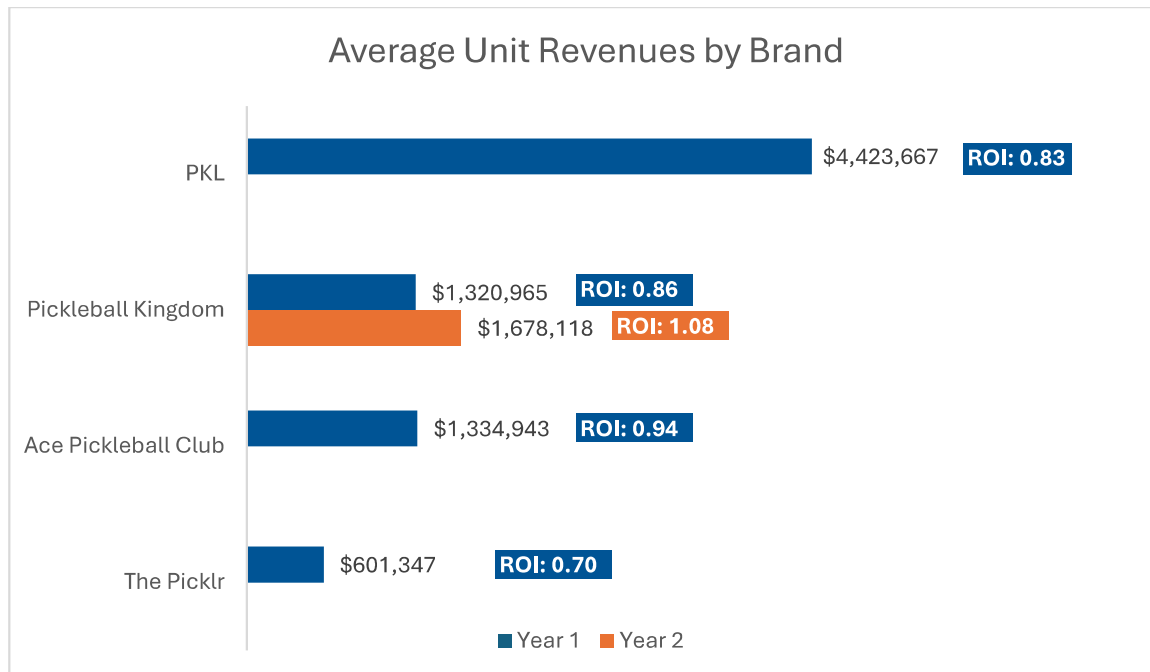
Brand Name	In-house Design	Real Estate Team	Franchise Experience
	than 25 years of experience in interior design and architecture of hotels, offices, retail spaces, health clubs, recreational facilities, and restaurants projects.	experience with Morrow Hill and Cushman & Wakefield.	experience, but not in franchising. Their Chief Operating Officer, Rob Streett, brings 8 years of franchising experience to the company.
PickleRage	Does not have an in-house design team.	Hired a VP of Real Estate and Construction in April 2024, who has 36 years of experience in commercial and retail design and construction.	COO David Smith is the only one in the leadership team with franchising experience, having over 20 years in various industries including food and business services.
PKL	Has an in-house design team, but not within the core leadership.	Does not have a dedicated real estate team.	Co-CEOs Brian Weller and Dustin Parker Martin have prior experience as franchisees for a fitness brand.
The Pickle Pad	Does not have an in-house design team.	Does not have a real estate team.	CEO Mike Rotondo has 31 years of experience (4 years in trampoline parks and 27 years in franchised food concepts). VP Robert Morris has 14 years of experience in sports entertainment (go-karting, trampoline, golf). Executive Chairman Aziz Hashim has extensive experience with Indoor Active brands and managing NRD Capital, with 27 years in food service and franchisee investment.
The Picklr	Does not have an in-house design team.	The Picklr's CDO, Chris Walker, who was previously VP of Real Estate Development, joined in August 2023.	Co-founder & CEO Jorge Barragan has no franchising experience. Chief Growth Officer Scott Schubiger has a 30-year career as a Senior

Brand Name	In-house Design	Real Estate Team	Franchise Experience
			Executive and Board Member across various industries, including franchising, technology, and real estate.

The leadership teams from Ace Pickleball Club and The Pickle Pad have extensive experience in developing large-scale franchise concepts, which is a strong advantage in the pickleball industry. Apart from Ace Pickleball Club and The Pickle Pad, Dill Dinkers also has strong franchising experience within its management team.

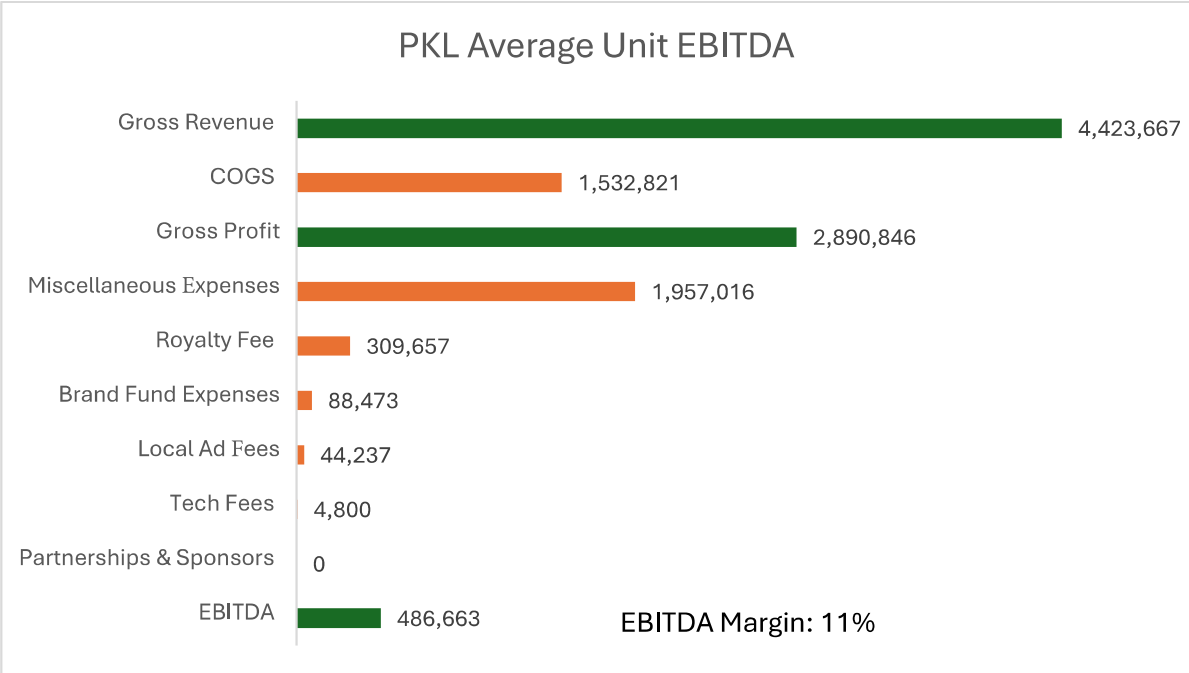
This expertise is particularly beneficial as the industry is still evolving, requiring franchisees to adapt to rapidly changing market conditions. A knowledgeable leadership team can provide essential support and guidance, helping franchisees navigate these challenges effectively.

Average Unit Revenues

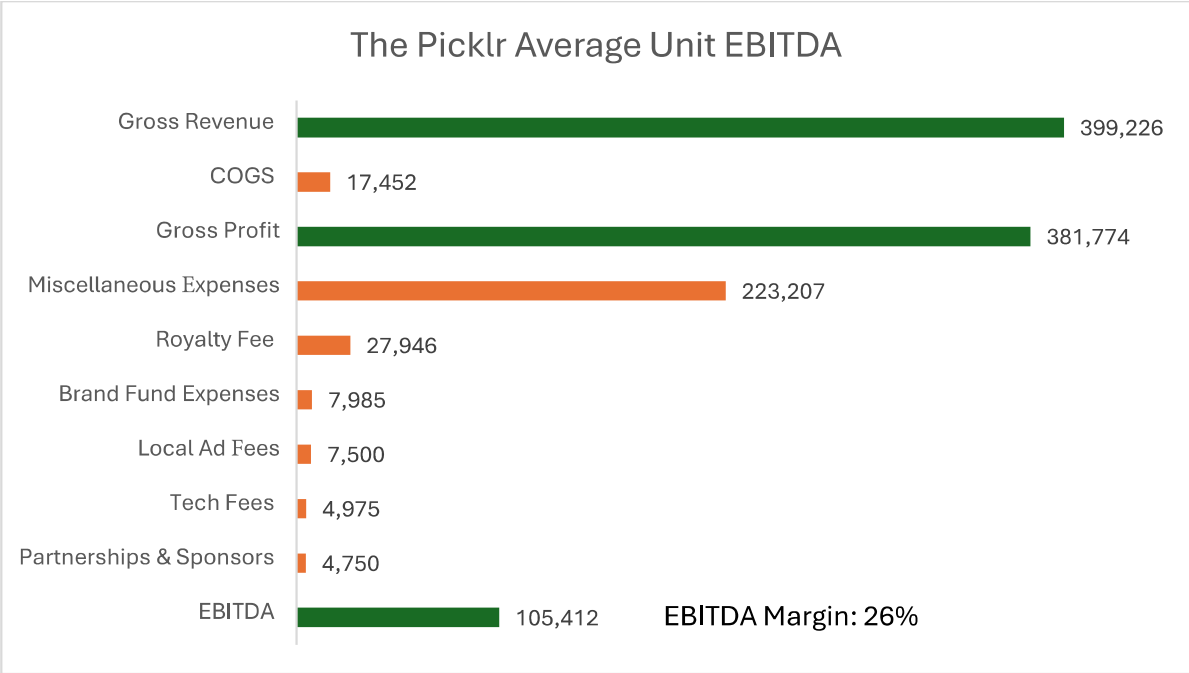


- Only four out of eight brands publicly disclose their financial performance in their disclosure documents. PKL has adopted an entertainment-driven model, which has generated higher revenues than the other three court-driven brands due to additional revenue streams from food and beverages.
- Average unit revenues for all brands except for The Picklr are derived from a single company-owned or affiliate-owned outlet.
- The Picklr's financial figures include the average unit volume from five company-owned units, some that opened as early as 2021.
- Pickleball Kingdom's revenues from their 1st year of operation is estimated to be \$1.3 million in revenue, which is annualized based on the first 11 months of operation of the company-owned location from May 1, 2022 to March 31, 2023 as disclosed in Item 19 of their 2023 Franchise Disclosure Document (FDD). As per Item 19 of the 2024 FDD, the revenue increased to approximately \$1.7 million in the second year of operation.
- Ace Pickleball Club shows monthly data for its first ~5 months of operation since opening on July 22, 2023. The monthly revenue reported grew by an average of 25% month over month with \$121,835 reported in its 5th full month of operation. Given the nature of recurring revenue models, annualized the revenue for this chart by assuming a more modest growth rate of only 5% monthly which yields an estimated \$1,334,943 in its first full year of operation.
- Crush Yard does not include financial performance in its disclosure documents but provides estimates on its website, raising regulatory concerns since financial disclosures are required to be exclusively in the official documents.

EBITDA Margin



Based on the information in disclosure documents, PKL EBITDA margin is approximately 11%.



The chart above shows the EBITDA margin for the last five months (August 2023-December 2023) after The Picklr adopted the membership model. Publicly available information in the FDD shows losses for the first seven months of 2023, but the EBITDA margin improved to 40% in the last five months after the company adopted the membership model. However, considering the ongoing franchise fees charged by

the franchisor, the adjusted EBITDA margin for the last 5 months is approximately 26%, as shown in the chart. It is possible that prospective franchisees may be compelled to invest in a franchise based on numbers that indicate a much higher ROI than is achievable by a franchisee. According to the North American Securities Administrators Association's Financial Performance Representations (FPR) Commentary¹², in an FPR disclosing net income, the franchisor must adjust or supplement the FPR to include imputed royalties, advertising fund contributions, and other fees not paid by company-owned outlets, such as the costs of a full-time third-party manager if, for example, multiple company-owned outlets are managed by a single employee.

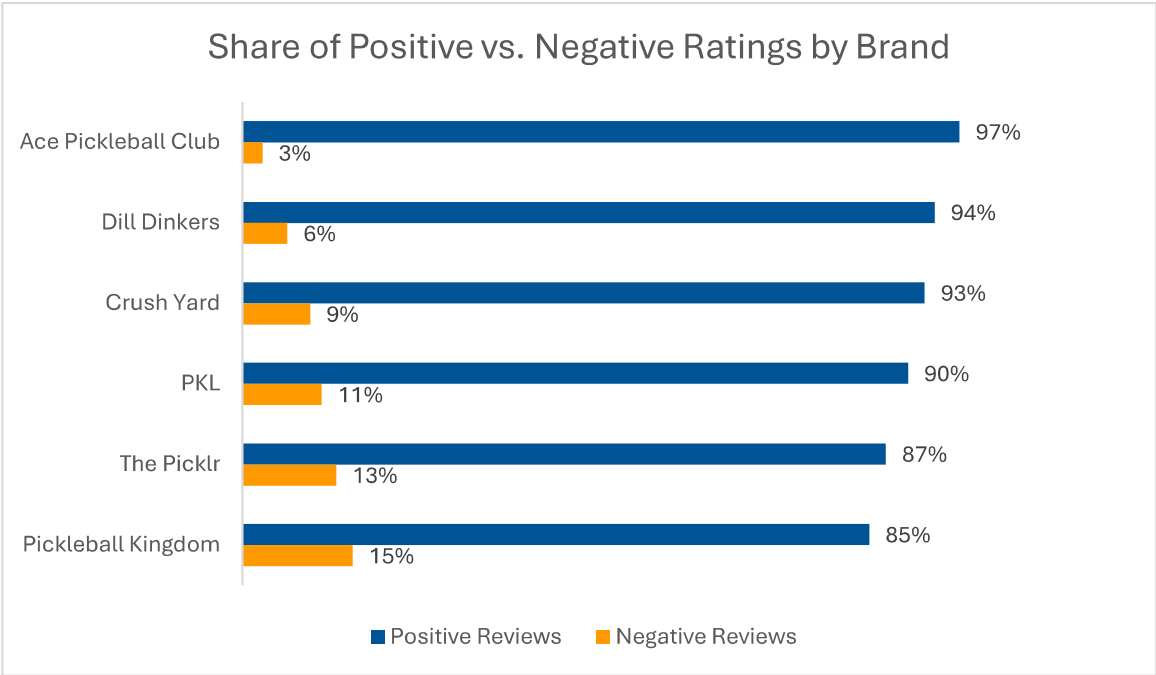
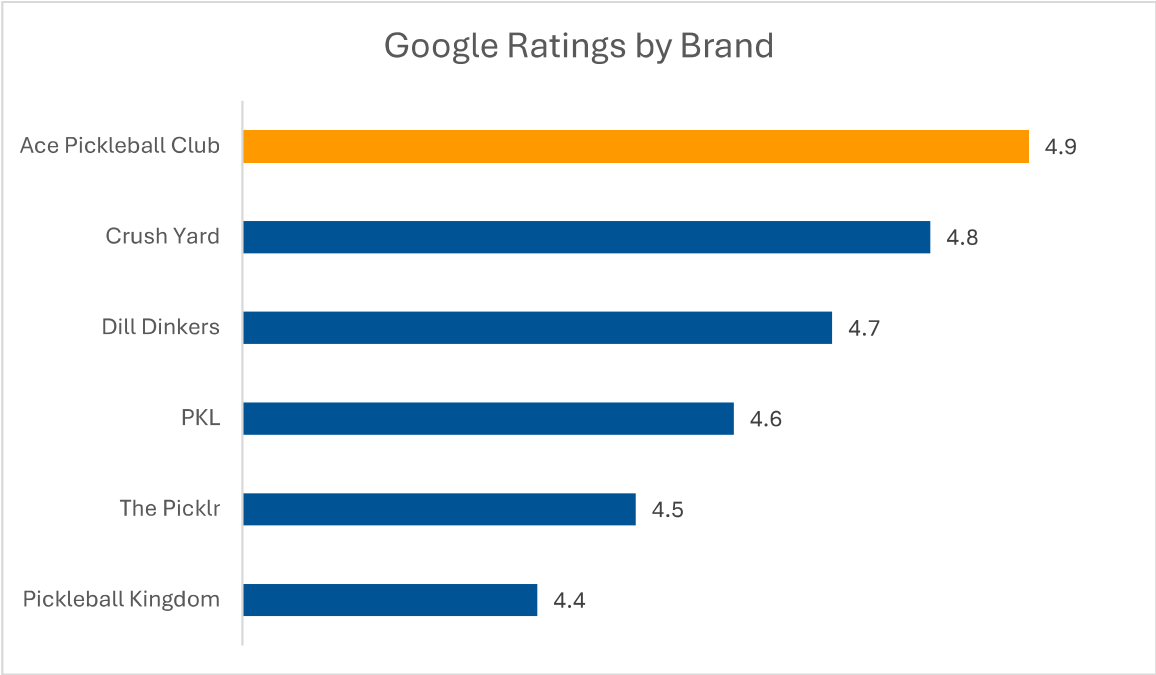
In January 2024, The Picklr issued a press release that their top-performing clubs achieved an average unit volume of \$1,200,000 with a 42% EBITDA margin¹³. However, this is different from the actual data provided in the FDD, where the highest gross sales for the year were \$717,015. According to the FTC Consumer Guide, the Franchise Rule does not require a franchisor to provide those FPRs, but most do. But here is the important thing: Any claims of that nature must be in FDD Item 19 (FPR Section). And if the claims are not in Item 19 (FPR Section), the franchisor – as well as brokers, dealers, or other sellers – cannot make any spoken or written financial performance claims¹⁴.

¹² National Association of State Administrators (NASAA). [Financial Performance Representation Commentary](#). 2017.

¹³ ["THE PICKLR ANNOUNCES EXPONENTIAL GROWTH IN 2023 AS IT CONTINUES NORTH AMERICAN EXPANSION."](#) PR Newswire, 4 Jan. 2024.

¹⁴ Fair, Lesley. ["Franchise Fundamentals: Taking a Deep Dive into the Franchise Disclosure Document."](#) Federal Trade Commission, 28 Dec. 2023.

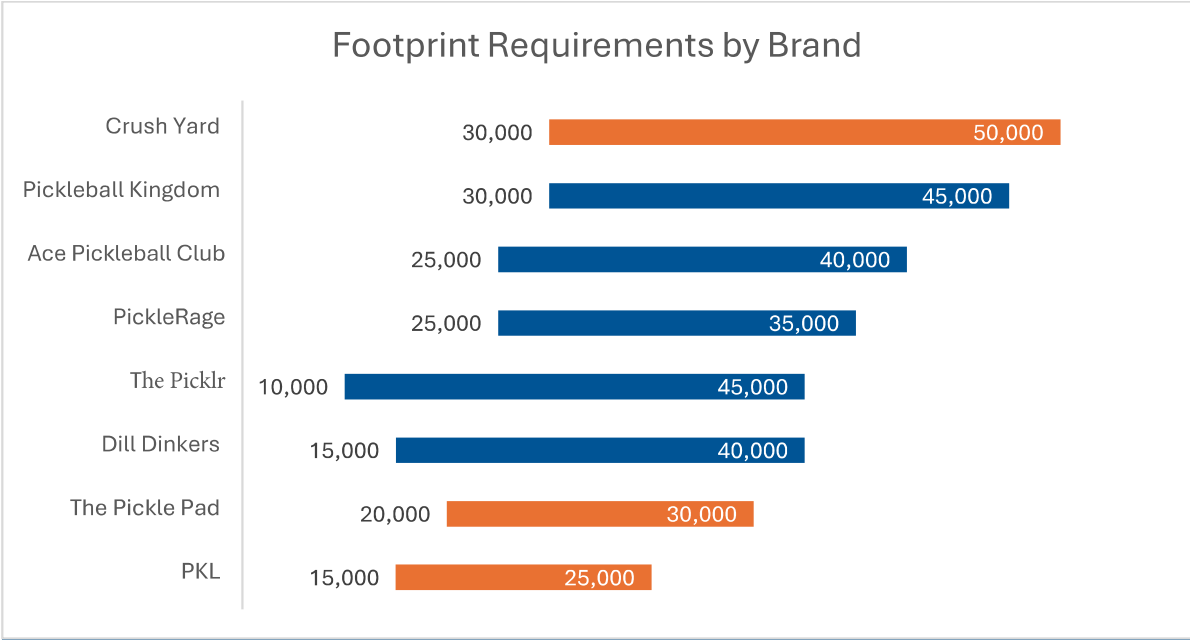
Customer Experience



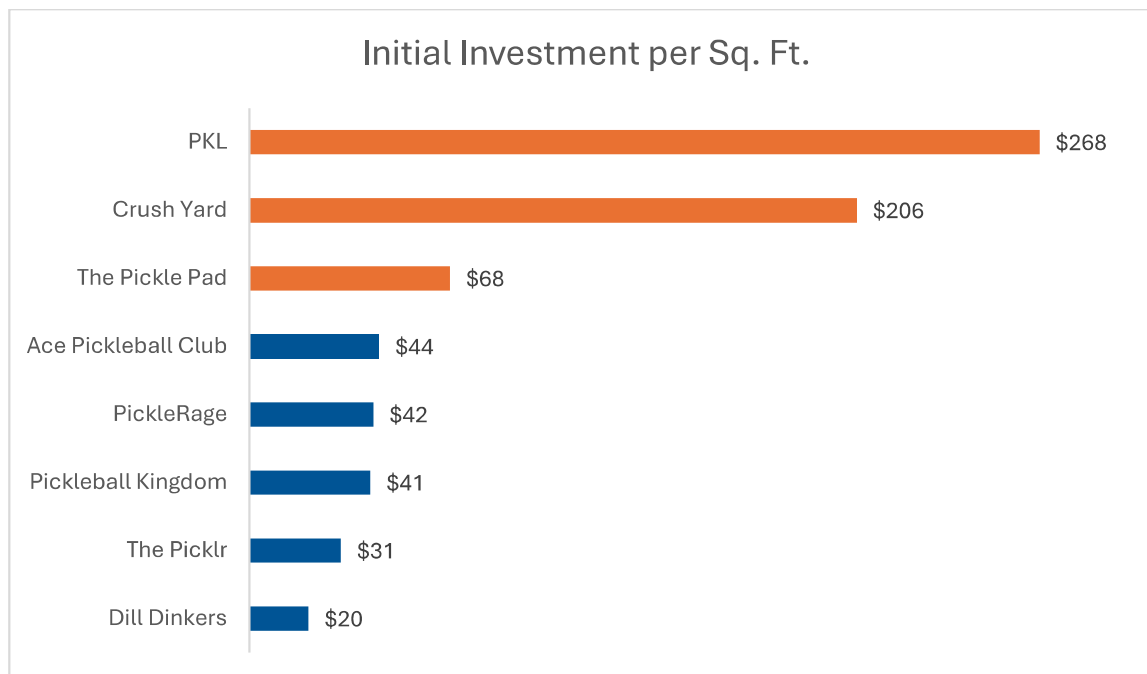
According to Google ratings, Ace Pickleball Club ranks at the top among all the compared brands. Ace Pickleball Club differentiates itself from the competitors by permitting members and non-members to drop-in without a reservation, whereas other brands typically require bookings weeks in advance. This differentiated approach may contribute to the brand's high ratings. Customer reviews often highlight the

quality of facilities, the professionalism of staff, and the overall enjoyable experience at Ace Pickleball Club locations. Such ratings are crucial for attracting new members and maintaining a competitive edge in the growing pickleball industry.

Real Estate Strategies



On average, pickleball brands require between 20,000 and 40,000 square feet of real estate space per club. Depending on the available space, clubs typically feature 8 to 15 courts, though Dill Dinkers and The Pickle Pad average around 6 courts each. Fitness-focused brands generally offer more courts compared to entertainment-driven brands, reflecting their emphasis on providing extensive play opportunities and accommodating larger memberships.



FRANdata conducted three interviews with real estate executives to understand the complexities franchisors face in the pickleball industry. FRANdata interviewed the Vice President of National Accounts for one of the largest REITs in the U.S., which owns more than 300 retail centers nationwide, the Senior Vice President of a leading real estate brokerage firm with an annual global retail transaction size of over \$38.1 billion, and a real estate developer and investor involved in over one million square feet of retail, industrial, and office properties totaling over \$200 million in the last decade. These executives, with varied backgrounds, provided unique perspectives which are summarized below.

Selecting an optimal location for a pickleball facility requires a comprehensive understanding of market dynamics, regulatory considerations, and real estate nuances. Contrary to concerns about market saturation, the pickleball industry still holds significant growth potential. With relatively few dedicated facilities currently operational compared to growing interest, there exists ample opportunity for new market entrants. This is particularly true in colder climates where indoor recreational activities are in high demand during inclement weather.

Key findings from the research include:

- Franchise brands recognize that the true challenge lies not in selling or awarding franchises but in execution. A major hurdle they face is securing suitable real estate, often competing for the same retail spaces and persuading landlords to favor their brand over others.
- In certain regions, there is an abundance of vacant retail spaces, whereas in others, brands must resort to costly ground-up construction.
- National brands hold leverage with landlords compared to individual operators. Landlords are risk-averse and, given pickleball's novelty, prefer established brands with a proven market presence.
- Pickleball clubs have witnessed close to 95% utilization during the months of August to March, where players don't prefer outdoor pickleball courts.

Some of the factors considered by real estate executives and pickleball franchisors are:

- **Market Analysis and Demographics:** Emphasizing the significance of conducting thorough market analyses to identify suitable metro areas and submarkets. Key metrics include population demographics, household income levels, and the presence of traffic generators. These factors collectively determine the potential demand for pickleball facilities within a given area. While age demographics are important, income levels often serve as a more reliable indicator of potential membership and participation rates.
- **Real Estate Considerations:** Identifying appropriate real estate involves evaluating individual trade areas for availability that meets specific criteria. This includes assessing space requirements, access considerations, and adequate parking facilities. Preference is given to second-generation space with attributes such as sufficient ceiling height, typically 17 to 18 feet for pickleball facilities, and column spacing to effectively accommodate the required number of pickleball courts.
- **Zoning and Regulatory Factors:** Navigating zoning regulations is critical in selecting suitable locations for pickleball facilities. While retail and commercial zones often permit recreational activities, there may be a need for conditional or special use permits based on municipal requirements, such as securing waivers from anchor tenants restricting entertainment concepts. Understanding these regulations early in the site selection process minimizes delays and ensures compliance.
- **Leasing and Financial Considerations:** Leasing terms for pickleball facilities typically involve an initial ten-year commitment with options for renewal. These terms can vary significantly based on market dynamics and the projected revenue potential of the location. Prospective franchisees must be aware of regional variations in lease rates and build-out costs, which directly impact the financial feasibility of establishing a facility. Leases commonly involve renting spaces 'as is,' supplemented by tenant improvement allowances averaging \$10 to \$15 per square foot. The average build-out timeline is approximately 270 days, covering construction and facility setup. Challenges in securing ideal locations often revolve around meeting specific operational requirements and effectively negotiating lease terms.
- **Amenities and Facility Requirements:** Desirable amenities for pickleball facilities include proximity to major thoroughfares or shopping centers for accessibility, adequate parking, and clear signage for visibility. Distinguishing between wellness-oriented facilities and entertainment-focused concepts is crucial, as location preferences may vary accordingly.

Recognize the challenges of securing suitable real estate, including competition for space that meets specific physical requirements. Brands that have proactive and focused real estate strategies are likely to have an advantage. Monitoring available real estate and remaining flexible in geographic market selection to optimize location decisions is important for brands competing for the best real estate market at any given time.

Additionally, both The Pickle Pad and Ace Pickleball Club possess a market advantage over other brands given their experience navigating big box retail real estate for many years across hundreds of locations. This experience may afford franchisees better deal terms than franchisees of other brands given their team's reputation, relationships, and deep knowledge of big box retail negotiations.

At this nascent stage in the evolution of the indoor pickleball club industry, franchisors need to be conservative when underwriting real estate economic terms and only allow franchisees to execute leases with favorable terms. Lack of consideration of the long-term economic viability of lease obligations in favor of rapid expansion will put franchisees at financial risk and the health of the brand in jeopardy.