

## BAM FRANCHISING, INC. FINANCIAL ANALYSIS 2 018-2025

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### OVERVIEW

This Financial Analysis is presented to dispel gross inaccuracies about BAM Franchising, Inc., the Parent Franchisor of the Bricks & Minifigs Corporation. Bricks and Minifigs has been described as a \$400-million corporation — or perhaps a \$200-million corporation — with \$95 million in annual revenue, and 300 operational stores. These descriptions are totally inaccurate. The actual truth is that BAM Franchising is a “chihuahua,” in every sense of the word. This is a small business, pretending to be an enormous international conglomerate. Indeed, from a financial analysis perspective, the most apt description of BAM Franchising is “the chihuahua effect.”

BAM Franchising, Inc. does not have 300 stores operational, at least not as of June 2026. While it may be true that BAM has accepted Cash Deposits from 300 Prospective Franchisees, this is not an accurate count for open, operational stores. The company’s audited financial statements reflect 224 stores open as of 12/31/25, while the actual number of publicly-verified open stores is around 161. The actual number of open stores remains a mystery: the CEO’s public statements about Store Numbers are routinely couched with qualifiers like, “I think maybe.”

Total Revenue for BAM Franchising, Inc. is nowhere near \$95 million, and is actually about one-sixth that amount, with 2025 Gross Revenue totaling \$13.2 million, and Gross Expenses totaling \$13.3 million, resulting in Net Loss of \$67k. The company has posted Net Losses averaging \$176k per year, for each of the past five years. The company posted its largest loss, of \$451k, in 2022. Between 2021 and 2025, BAM Franchising’s Financial Statements reflect cumulative losses of \$878k.

BAM has **not** financed operations through **operational success**, but through **aggressive salesmanship**. Current operations are funded primarily by Cash Deposits from Prospective Franchisees (Unearned Revenue), and Cash Deposits from

Customers (Gift Cards). The main feature of the 2025 Financial Statements is a \$2.7-million Unearned Revenue Liability. This corresponds to approximately 66 unopened stores, as of 12/31/25. The “Unearned Revenue” Liability — also referred to as “Deferred Income” or “Deferred Revenue” — represents Cash Deposits for Goods and Services which have not yet been delivered. These obligations include Signage, Marketing Materials, and Training, as well as associated Travel Expenses.

**2022 2023 2024 2025**

**Unopened Stores 18 36 56 66** Unearned Revenue at YE (630,000) (1,416,000) (2,372,048) (2,683,713) Training Expense (37,876) (97,624) (323,450) (664,560) Travel Expense (55,576) (165,269) (374,114) (460,044)

Training Expense for 2025 totaled \$665k, representing an increase of \$341k (106%) over \$323k in 2024. Travel Expense of \$460k increased by \$86k (23%), from \$374k in 2024. Taken together, 2025 Training and Travel Expenses totaled \$1.12 million, representing an increase of \$427k (61%), compared to the prior year. Increasing Training and Travel Expense correspond to an increasing number of Unopened Stores, requiring goods and services from the parent company prior to Grand Opening.

In addition to Unearned Revenue of \$2.7 million, the 2025 financial statements also reflect Gift Cards Payable of \$1,017,015. This \$1-million Liability functions, effectively, as an interest-free loan, from the Customers, to the company. Taken together, Franchisee Deposits and Gift Cards represent \$3.7 million of Cash, which BAM Franchising has received from Customers and Franchisees. These are the primary sources of liquidity for current operations.

**SUMMARY**

BAM Franchising Net Worth at 12/31/25 is Negative \$621,091.

As of 12/31/25, BAM Franchising owed \$2,683,713 in Signage and Training to Future Franchisee Owners (Unearned Revenue).

BAM Franchising is a small-to-medium-sized company with Negative Shareholder Equity. This company is similar in size and volume to a Home Builder which builds 20 homes per year.

BAM Franchising has a strong Cash position of \$1,095,239. This strong Cash position corresponds to \$2.7 million in unfulfilled obligations to future Franchisees, as well as \$1.0 million in Gift Cards Liability. Current Liabilities outweigh Current Assets.

**2022 2023 2024 2025**

Cash and equivalents	323,286	638,158	1,083,396	1,095,239	<u>Inventory</u>	156,594	518,561	833,034	947,580
<b>Total Current Assets</b>	<b>569,330</b>	<b>1,702,351</b>	<b>2,945,821</b>	<b>3,774,970</b>	<b>Total Current Liabilities</b>				
	<b><u>1,119,599</u></b>	<b><u>2,567,323</u></b>	<b><u>4,252,011</u></b>	<b><u>5,456,122</u></b>	Working Capital	(550,269)	(864,972)	(1,306,190)	(1,681,152)
					Current Ratio	0.51 to 1	0.66 to 1	0.69 to 1	0.69 to 1

Inventory appears to consist primarily of Lego® products at Corporate-owned stores. (Negative) Working Capital of \$(1.68) million corresponds to a Current Ratio of 0.69 to 1. A Current Ratio of less than 1.0 usually indicates Liquidity Pressure and

Financial Stress.

BAM Franchising's Financial Status is strong enough to continue operations as long as Franchise Agreement Contract Sales — at \$40,000 each — remain strong; and as long as there are no unforeseen Market Changes or other disruptions to Franchise Agreement Contract Sales. A disruption to Franchise Agreement Contract Sales

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would likely force a Liquidity Crisis, causing the company to seek Loans, Investments, and other sources of Liquidity.

There appears to be plenty of Common Stock and Treasury Stock available for buy-in from investors, but it is unknown whether BAM would be willing to sell off portions of its Equity, and it is unknown what par value investors might be willing to pay for Stock ownership.

**Other Income 2022 2023 2024 2025** Sale of Business Interest 43,711 42,619 56,171 – Interest Expense – – (24,978) (30,672) **Total Other Income 43,711 42,619 31,193 (30,672)**

BAM Franchising sold portions of its equity to investors in 2022, 2023, and 2024, as detailed above. Further details about these equity purchases are currently unavailable.

## **CUMULATIVE LOSSES**

BAM Franchising has posted losses during each of the past five years, resulting in Retained Earnings of negative \$819k, and a Net Worth of negative \$621k. These negative numbers are problematic, but they are somewhat mitigated by Unearned Revenue. BAM Franchising has a \$2.7-million obligation to provide Signage, Training, and other Goods and Services to New Franchisees, but the company might possibly be able to deliver these goods and services for significantly less than that amount. Therefore, we may consider ignoring the Unearned Revenue Liability, and adding the \$2.7-million dollar figure back in to Net Worth, which would result in a Net Worth of Positive \$2 million, for analytical purposes. This is an analytical judgment call, which requires context.

**Income and Expenses 2022 2023 2024 2025** Cost of Goods (934,531) (1,531,416) (2,774,737)  
(3,501,250) Operating Expenses (2,507,181) (3,760,431) (7,304,888) (9,724,049)  
Total Expenses (3,441,712) (5,291,847) (10,079,625) (13,225,299) Total Revenues 2,850,693  
5,179,207 9,809,520 13,164,954 **Net Income (450,747) (94,925) (215,635) (66,914) Retained**  
**Earnings (441,785) (536,710) (752,345) (819,259)**

If BAM Franchising were to have demonstrated organizational aptitude and Operational Efficiency during the past five years, then I would recommend partially ignoring the Unearned Revenue Liability. However, BAM Franchising's underlying operations have the general appearance of a Rube Goldberg machine. It appears that the company is scrambling to catch up with massive, undelivered commitments. This is reflected by a rapid increase in operational expenses, particularly with regard to Salaries and Wages.

**2022 2023 2024 2025**

Compensation 1,605,258 2,334,942 4,314,344 5,607,803

Compensation Expense has increased rapidly during the past several years, representing a dramatic increase in New Hires. Rapid Hiring carries an inherent challenge to adequately train new employees, and to develop efficient business processes. To date, BAM Franchising has not converted growth into profits. Rather, the company is playing catch-up on past commitments. Instead of carefully managing expenses, BAM Franchising is scrambling to deliver on unfulfilled promises. Therefore, I consider it inappropriate to ignore the Unearned Revenue Liability, or in other words, I think that the Company's Net Worth is accurately described as being in the red.

Federal Rules requiring Franchisors to report Franchisee Deposits as Unearned

Revenue Liabilities are grounded in sound principles, and I see no justification to make an adjustment in this case, even for analytical purposes.

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## OUTLOOK

It appears that, as long as they can continue attracting new Franchisees, BAM will continue to have adequate cash for operations. However, what would happen if BAM stopped adding New Franchisees? What would happen if Sales of \$40,000 Franchisee Contracts were to wane.

If the company were to have strong underlying fundamentals, it would be able to weather a storm. **But this company has weak fundamentals: its operational capital is derived from Sales, and not from Income.** This calls into question the company's ability to weather a Market Downturn, a Natural Disaster, or a Disease Epidemic.

BAM Franchising is currently facing a high-profile public relations scandal, which is likely to negatively impact Franchise Agreement Contract Sales and the Bricks & Minifigs Brand's long-term viability.

## RAPID GROWTH

**The company's primary goal during the past several years appears to have been to grow as quickly as possible, without apparent concern for fully capitalizing this growth.** BAM Franchising sold 259 Franchise Agreement Contracts between December 2021 and December 2025, according to the company. During this time period the Company's (Negative) Retained Earnings decreased from \$(442k) to \$(819k). (Negative) Net Worth during the same period decreased from \$(182k) to \$(621k).

**Equity 2021 2022 2023 2024 2025** Paid-in capital 110,000 329,876 329,876 329,876 329,876 Retained Earnings 23,073 (441,785) (536,710) (752,345) (819,259) Non-controlling interest 66,466 – – – – Treasury Stock (70,026) (70,026) (70,026) (70,026) (131,708) **Total Equity 129,513 (181,935) (276,860) (492,495)**

## PROFIT AND LOSS

Results from the Financial Statements are presented in Summary Tables. In all cases, Financial Results correlate strongly to Number of Stores. For example, Franchise Fee Income increased from \$375k to \$2.7 million in four years, which correlates to an increase in Annual Store Openings from 15 to 67.

The total number of Open Stores increased from 56 at 12/31/2022 to 224 at 12/31/2025, an increase of 168 stores, resulting in a 3x increase over a three-year period.

### **P&L Highlights** 2022 2023 2024 2025

**Stores Opened this year 15 35 66 67** Franchise Fee income 375,000 874,999 2,345,000  
2,706,490 **Total Stores at YE 56 91 157 224**

Royalty Fee income 1,082,626 2,285,961 3,364,777 5,229,179 Salaries and wages (1,605,258)  
(2,334,942) (4,314,344) (5,607,803)

Advertising Fee income 35,907 219,675 494,745 815,859 Advertising Expense (188,476)  
(208,038) (232,923) (388,885)

Professional Fee Expense (245,866) (374,420) (639,642) (832,122) **Corporate-owned Stores**

### **2 2 3 4**

Product Sales 1,298,135 1,706,207 3,523,979 4,313,977 Cost of Goods (934,531) (1,531,416)  
(2,774,737) (3,501,250) Occupancy (221,678) (234,869) (628,776) (965,850)

Franchise Fees of \$2.7 million reflect the successful Grand Opening of 67 stores during the year 2025. A portion of this income represents deposits collected during the prior year.

Royalty Fees of \$5.2 million for 2025 increased by \$1.9 million (55%) over royalties of \$3.4 million during 2024. This is in line with growth.

Salaries and Wages of \$5.6 million represent an increase of \$1.29 million (30%), compared to \$4.3 million the prior year. These Compensation Expenses include the Wages of corporate employees, as well as the Wages of employees who work at corporate-owned stores.

A separate breakdown of Corporate-only wages would serve as a useful comparison to Royalty Fees. Even without the Corporate-only figures, it is clear to see that BAM's Compensation Expenses have tracked closely with Royalty Fees during the past several years.

Actual Stores Opened during the year is a critical metric for this company's performance. Franchise Fees in 2025 of \$2.7 million represent Cash received from Franchisees who held Grand Openings that year, many of whom provided deposits the previous year. Franchise Fees increased of \$361k (16%) over the prior year.

A significant increase in Annual Store Openings, and corresponding increase in Recognized Franchise Fee Income, is seen in 2023 and 2024, with Store Openings plateauing around 66 or 67 in 2025. Franchisees held 15 Grand Openings in 2022, 35 in 2023, 66 in 2024, and 67 in 2025

Professional Fees increased continually from \$246k in 2022 to \$832k in 2025. While a specific breakdown of Professional Fees is not currently available, Professional Fees typically include costs primarily associated with Lawyers and Accountants.

**2022 2023 2024 2025**

<b>Unopened Stores</b>	<b>18</b>	<b>36</b>	<b>56</b>	<b>66</b>	Unearned revenue (630,000)	(1,416,000)	(2,372,048)	
	(2,683,713)	Training (37,876)	(97,624)	(323,450)	(664,560)	Travel (55,576)	(165,269)	
	(374,114)	(460,044)						
Cash and equivalents	323,286	638,158	1,083,396	1,095,239	Gift Cards Payable (146,338)			
	(417,367)	(673,228)	(1,017,015)					
Accounts receivable	5,358	337,605	545,676	1,156,775	Accounts payable (83,133)	(160,343)		
	(454,997)	(1,113,126)						

Cash and equivalents track with Gift Cards Payable. This may be seen as an effective use of Just-in-time (JIT) Financing Methods: BAM has obtained an extra \$1 million in cash from customers, in the form of Gift Card Purchases, which function as interest-free microloans.

**QUICK RATIO YE 2022 YE 2023 YE 2024 YE 2025**

Quick Assets

Total Current Assets 569,330 1,702,351 2,945,821 3,774,970 Inventory (156,594) (518,561)  
(833,034) (947,580) Prepaid Expenses (63,319) (16,975) (245,451) (239,545)

Quick Assets 349,417 1,166,815 1,867,336 2,587,845 Total Current Liabilities 1,119,599  
2,567,323 4,252,011 5,456,122 Quick Ratio 0.31 to 1 0.45 to 1 0.44 to 1 0.47 to 1

A Quick Ratio of less than 1.0:1 is generally considered a potential red flag, depending on the type of business and speed of Inventory turnover. A Quick Ratio of less than 0.5:1 is generally considered a likely red flag. BAM Franchising's Quick Ratio at 12/31/2025 is 0.47. This underscores the principal finding of the current analysis: an underlying lack of Retained Earning, and a business model which is based on Sales, not Profits.

In order to cover its obligations, BAM Franchising must continue selling expensive Franchise Contracts, or else it will need to re-capitalize with loans and investments. BAM Franchising does not earn Profits from Operations, but rather it posted Losses for each of the past five years.

BAM Franchising, Inc. Audited Financial Statements — Page 1

2018 2019 2020 2021 2022 2023 2024 2025

**Revenue**

Franchise Fee \$ 7,000 \$ 30,000 \$ 25,000 \$ 125,000 \$ 375,000 \$ 874,999 \$ 2,706,490  
 2,345,000

\$

Royalty Fee 406,106 429,587 471,904 640,616 1,082,626 2,285,961 3,364,777 5,229,179 Advertising Fee 21,200 21,700 20,250 19,300 35,907  
 219,675 494,745 815,859 Product Sales 62,111 36,914 36,829 1,006,812 1,298,135 1,706,207 3,523,979 4,313,977 Other Income 2,367 7,791  
13,345 315 15,314 49,746 49,826 130,121 Total Revenue 498,784 525,992 567,328 1,792,043 2,806,982 5,136,588 9,778,327 13,195,626

Cost of Goods 61,944 58,310 50,338 489,213 934,531 1,531,416 2,774,737 3,501,250 Gross Profit 436,840 467,682 516,990 1,302,830  
1,872,451 3,605,172 7,003,590 9,694,376

**Operating Expenses**

Shared employee cost 51,380 113,844 - - - - - Officer's Compensation 124,900 - - - - - Compensation expenses - - 78,540 657,376 1,605,258  
 2,334,942 4,314,344 5,607,803 Advertising expenses 64,345 109,780 101,726 134,317 188,476 208,038 232,923 388,885  
 Professional fees 48,945 62,303 133,319 155,043 245,866 374,420 639,642 832,122 Computers and software - - 64,686 58,155 36,848 124,819  
 163,526 165,282 Bad Debt - - 72,090 12,746 8,846 71,360 190,910 76,426 Training 1,576 22,328 14,012 30,679 37,876 97,624 323,450 664,560  
 Occupancy 44,903 45,189 8,542 194,551 221,678 234,869 628,776 965,850 Travel 11,844 8,756 9,249 15,249 55,576 165,269 374,114 460,044  
 Other Operating Expenses 33,080 36,759 33,874 51,739 106,757 149,090 437,203 563,077 **Total Operating Expenses 380,973 398,959 516,038**  
**1,309,855 2,507,181 3,760,431 7,304,888 9,724,049**

**Other Income**

Sale of Business Interest - - - - 43,711 42,619 56,171 - Interest Expense (24,978) (30,672) Total Other Income - - - - 43,711 42,619 31,193  
(30,672)

**Net Income before taxes 55,867 68,723 952 (7,025) (591,019) (112,640) (270,105) (60,345)**

Income tax expense 15,419 20,944 (11,991) (10,757) - - - Income tax provision - - - - 149,135 17,715 54,470 (6,569)

**Net Income, all owners 40,448 47,779 12,943 3,732 (441,884) (94,925) (215,635) (66,914) Non-controlling Interest - - - (53,341) (8,863) - - -**

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BAM Franchising, Inc. Audited Financial Statements — Page 2

**2018 2019 2020 2021 2022 2023 2024 2025**

**Assets**

Current Assets

Cash and cash equivalents 34,240 50,086 68,573 186,837 323,286 638,158 1,083,396 1,095,239 Accounts receivable, net 40,173 104,172 51,438  
 38,418 5,358 337,605 545,676 1,156,775 Inventory 78,076 79,140 69,038 164,985 156,594 518,561 833,034 947,580 Prepaid Expenses - - 13,419  
 13,419 63,319 16,975 245,451 239,545 Other Receivables - - 4,100 7,259 1,200 152,648 238,264 335,831 Due from related party - - 15,125 - - - -  
Investment receivable - - 13,125 - 19,573 38,404 - -

Total Current Assets 152,489 233,398 234,818 410,918 569,330 1,702,351 2,945,821 3,774,970

Property and equipment, net 10,613 7,402 4,191 7,250 13,657 76,192 171,892 182,301 Intangible assets, net 4,359 3,777 3,486 3,196 2,905 158,370  
 240,676 250,533 Other Assets 2,623 10,659 - 10,756 -

Deposit - 18,309 14,309 85,709 Deferred Tax asset 159,892 178,563 245,859 248,239 Note Receivable 84,264 92,098 -

Right of Use Assets, net 400,446 1,388,514 1,541,386 1,530,877 Total Other Assets 2,623 10,659 - 10,756 644,602 1,677,484 1,801,554 1,864,825

**Total Assets 170,084 255,236 242,495 432,120 1,230,494 3,614,397 5,159,943 6,072,629**

**Liabilities**

Current Liabilities

Accounts payable - - 30,442 58,725 83,133 160,343 454,997 1,113,126 Payroll tax payable 82 - 26,006 27,804 116,287 57,107 43,837 13,704  
Income tax payable 15,419 18,968 213 1,061 22,695 21,105 10,215 9,989 Gift Card Payable - - 4,574 56,515 146,338 417,367 673,228 1,017,015  
Line of Credit - 154,715 187,779 130,779 Deferred revenue - - 25,000 155,000 630,000 1,416,000 2,372,048 2,683,713 Lease Liability – current  
121,146 239,820 276,272 315,350 Note payable – current 11,741 4,032 - - - 100,866 174,374 148,714 Due to related party 20,982 62,497 59,261  
23,732

Total Current Liabilities 48,224 85,497 86,235 299,105 1,119,599 2,567,323 4,252,011 5,456,122

Long-Term Liabilities

Note Payable - - 13,593 3,502 161,057 118,048 - Lease Liability – long-term - - - 292,830 1,162,877 1,282,379 1,237,598 Total Long-Term  
Liabilities - - 13,593 3,502 292,830 1,323,934 1,400,427 1,237,598

**Total Liabilities 48,224 85,497 99,828 302,607 1,412,429 3,891,257 5,652,438 6,693,720**

**Equity** - Paid-in capital 110,000 110,000 110,000 110,000 329,876 329,876 329,876 329,876 Retained Earnings 11,860 59,739 72,682 23,073 (441,785)  
(536,710) (752,345) (819,259) Non-controlling Interest - - - 66,466

Treasury Stock - - (40,015) (70,026) (70,026) (70,026) (70,026) (131,708) **Total Equity 121,860 169,739 142,667 129,513 (181,935) (276,860)**

**(492,495) (621,091) Total Liabilities and Equity 170,084 255,236 242,495 432,120 1,230,494 3,614,397 5,159,943 6,072,629**