

FOR INSTITUTIONAL USE ONLY

SPRING 2024

# Car Wash Insight

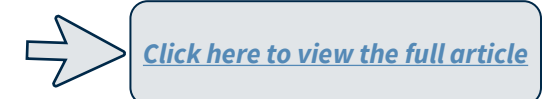
**RAYMOND JAMES** | INVESTMENT BANKING

MERGERS & ACQUISITIONS, PUBLIC & PRIVATE CAPITAL  
AND FINANCIAL ADVISORY SERVICES

IN  
THIS  
ISSUE:

Raymond James Market Commentary	2	Public Equity and Industry Metrics	6
Recent, Notable M&A Activity	3	Macroeconomic Indicators and Debt Market Update	10
Selected Private Equity Involvement	5	What We're Reading	14

# Raymond James market commentary



## Rinse, Wash, Differentiate: Recent Observations in an Evolving Car Wash M&A Market

### Some historical context

THEN

For much of its existence, the car wash industry was weather-dependent, commoditized and beset with marginal assets and the indifference of owners with “passive income” aspirations. Refinement of the labor-and capital-efficient express tunnel format, abundant and cheap capital, and the adaptation of the subscription model provided a pathway for more sophisticated investors to enter the space.

NOW

The private equity industry took notice of the resilient, “Amazon proof” consumer service and invested significantly, aggregating a significant number of sites in a relatively short period of time. As capital costs abruptly moved higher beginning in March 2022, buyers were forced to underwrite to lower purchase multiples and sellers, stubborn to react to changing market conditions, were not willing to accept them. Disappointing trading performance from the two public names exacerbated the perception that car wash asset valuations needed to “reset” lower. The slowdown in M&A activity re-oriented the industry’s growth focus toward greenfield development which offered operators greater control over their brands, customer experiences, and geographic footprints.

### IMPLICATIONS: Buyers in today’s M&A market are more opportunistic and highly selective

As existing assets trade into more capable hands and new sites seemingly appear on every block, competition is intensifying across most markets and similarly, the search for defensibility is underway. The playing field has evolved considerably over the prior decade and inevitably, a distinct dichotomy between the “have members” and “have nots” is emerging. An operator’s ability not only to attract new members, but to retain them, will become the new barometer for competitive resilience.

### M&A decisions swayed more today by qualitative considerations regarding operators’ abilities to withstand competition; key focus areas include...

- 1 Achievability of site maturation projections; dispersion of historical results
- 2 Brand equity, footprint density and competitive differentiation
- 3 Life expectancy of site-level cash flow
- 4 Membership retention and customer lifetime value (LTV)

# Recent, notable M&A activity



## Flagstop Car Wash acquires three sites from Green Clean Express Auto Wash

- Green Clean Express Auto Wash is based in Virginia and operates under Wildcat Management’s Express Wash Concepts
- Marking its 2nd acquisition since becoming PE-backed, Flagstop Car Wash now operates more than 20 sites in Virginia
- Garnett Station Partners, a New York-based private equity firm, acquired Flagstop Car Wash in January 2022



Announced: 3/11/2024



## Whistle Express Car Wash (formerly Magnolia Wash Holdings) acquires 10 new sites

- In Louisville, Whistle Express acquired three Thomas Car Wash locations, three Clean Waves locations and one The Car Wash Company location
- Additionally, Whistle Express acquired two sites from Detrick’s Car Wash in Myrtle Beach, SC and one site from Splash Car Wash in Raleigh, NC
- Whistle Express, backed by Oaktree Capital Management and A&M Capital Partners, now operates ~120 sites across seven states
- In July of 2023, Oaktree Capital Management acquired a majority position in the Company, while A&M Capital Partners retained a minority position
- Oaktree Capital Management is a global investment manager specializing in alternative investments with \$172 billion assets under management

Announced: 3/7/2024 and 2/8/2024



## Ammori Equity acquires 19 Zax Auto Wash sites to establish platform investment

- AEP plans to continue building the Zax brand through innovation and operational excellence
- Based in Detroit, Michigan, AEP is a successful four-wall sales and operations leader focusing on growth stage companies
- Zax Auto Wash was founded in 2007 and grew to 24 locations in Michigan



Announced: 1/3/2024



## Mammoth Holdings enters Texas market with two acquisitions

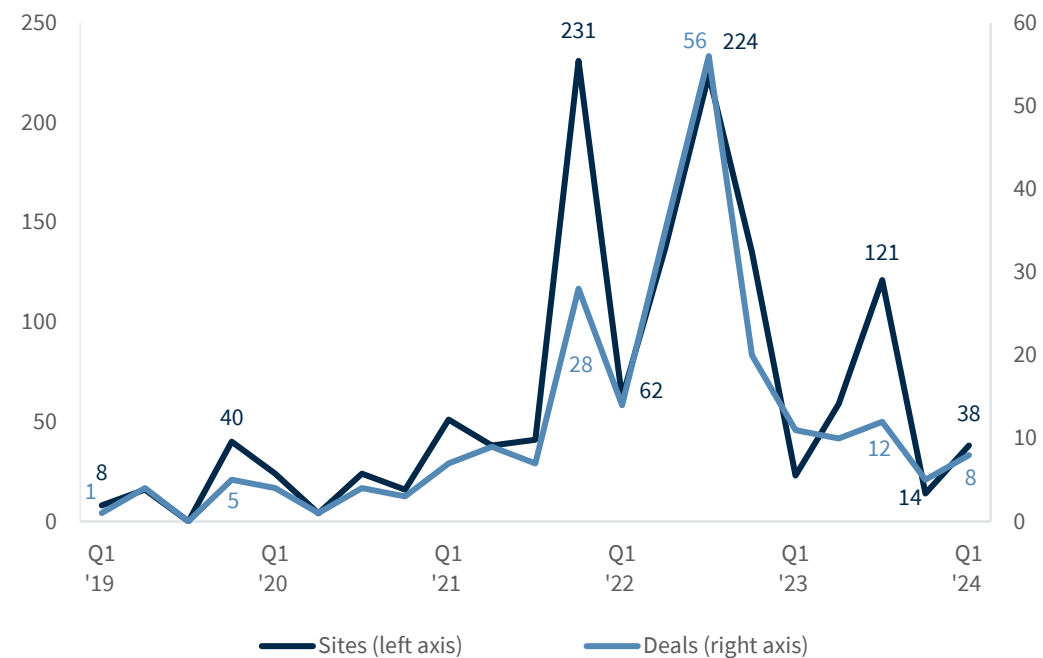
- Mammoth Holdings expands into Texas with its acquisition of eight sites from Today’s Car Wash and two sites from Galaxies Express
- The Company is one of the largest U.S. operators with more than 130 locations across 18 states
- Mammoth Holdings is backed by Red Dog Equity, The Pritzker Organization and CCMP Growth Advisors

Announced: 12/21/2023 and 12/19/2023

# Recent, notable M&A activity (cont.)

Date	Acquiror	Target	States	Sites acquired
3/27/2024	WhiteWater Express	Spout Car Wash	TX	1
3/19/2024	El Car Wash	Sweetwater Car Wash Dr. Phillips and Suncoast Express Car Wash	FL	2
3/11/2024	Flagstop Car Wash	Unknown	VA	3
3/7/2024	Whistle Express	Detrick's Car Wash; Splash Car Wash	SC, NC	3
3/1/2024	Express Wash Concepts	Cosmo's Car Wash	MI	2
2/12/2024	Unknown	Caliber Car Wash	NC	1
2/8/2024	Whistle Express	Thomas Car Wash, Clean Waves, and The Car Wash Company	KY	7
1/4/2024	Ammori Equity Partners	Zax Auto Wash	MI	19
12/27/2023	Unknown	Village Car Wash	FL	1
12/21/2023	Mammoth Holdings	Galaxies Express Car Washes	TX	2
12/19/2023	Mammoth Holdings	Today's Car Wash	AZ	8

Quarterly activity levels



Source: Public company filings, press releases, and CapitalIQ.

# Selected private equity involvement

Financial sponsor	Investment	Year acquired	Total sites	Geography	Financial sponsor	Investment	Year acquired	Total sites	Geography
	 (now public)	2014	476	21 states	 		2021	78	6 states
	 (now public)	2015	391 <sup>(1)</sup>	22 states			2018	75	6 states
		2020	295	13 states			2021	75	CT, MA, NY, VT
	 	2018	>225	14 states			2023	54	5 states
		2015	>220	5 states			2022	52	FL
		2018	199	23 states		 	2021, 2022	42	NV, VA
		2020	>170	7 states			2022	29	IN, MI
		2019	>145	8 states			2022	26	8 states
 		2018	135	18 states			2021	24	AZ, NV
		2020	126	6 states			2024	19	MI
		2020	120	7 states			2021	16	OH
		2021	118	AZ, CA, CO, TX			2022	16	PA, WV

Source: Company websites and press releases, as of 4/1/2024.  
 Note: (1) Only includes company-operated sites.

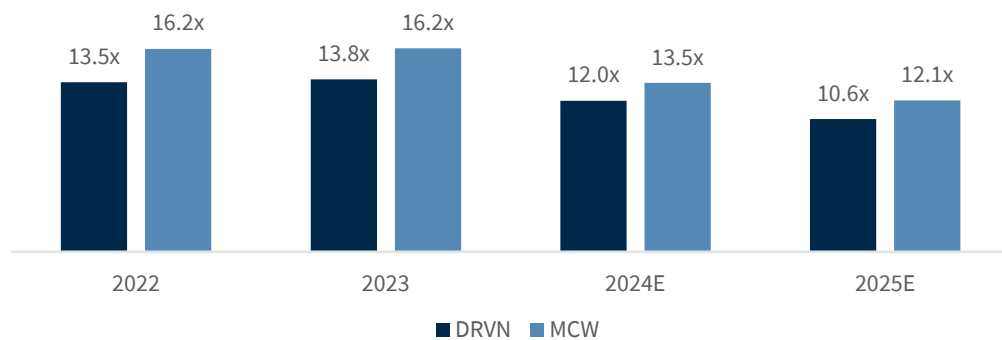
# Public equity metrics: Driven Brands and Mister Car Wash

Public trading performance since IPO

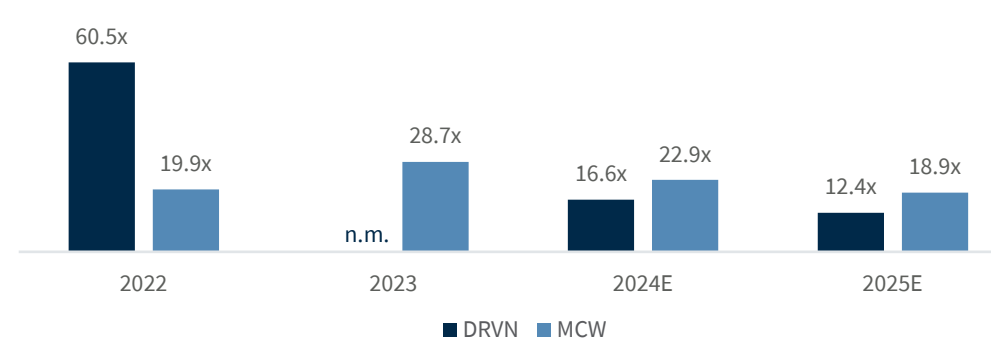


	<b>Driven Brands</b> NASDAQ: DRVN	<b>Mister</b> NYSE: MCW
Current share price	\$15.72	\$7.39
<b>Current vs. IPO</b>	<b>(28.5%)</b>	<b>(50.7%)</b>
Post-IPO trading range	\$10.93-\$34.50	\$4.98-\$23.53
Total enterprise value (\$B)	\$6.7	\$4.2
Market capitalization (\$B)	\$2.6	\$2.3
Average daily volume (millions)	1.12	1.23
Float percentage	35.7%	28.6%

TEV / EBITDA



P/E ratio



Source: Estimates per Capital IQ, market data as of 4/1/2024.

# Earnings summary: Driven Brands and Mister Car Wash

(\$ in millions except per share data)

## Driven Brands™

	4Q2023 results <sup>(1)</sup>	Consensus <sup>(2)</sup>
Net revenues y/y growth	2.5%	5.7%
Comparable car wash sales growth	(3.3%)	n/a
Car wash y/y EBITDA growth	(14.3%)	n/a
Total car wash locations	1,108	n/a
Net new car wash locations	(25)	n/a
Net revenues	\$553.7	\$571.0
Adjusted EBITDA	\$129.0	\$125.6
EPS (GAAP)	(\$0.08)	\$0.11
1-day stock price reaction (2/22/24)	(11.1%)	

**Select commentary:** “The headline is that we improved margins from approximately 17% in Q3 to over 23% in Q4. This approximate 600 basis point improvement was primarily from our US operations. As mentioned on our previous earnings call, we have stopped all growth capital, and will not open new US Car Wash stores until we determine the base business is performing up to our expectations. Additionally, the team is making good progress on divesting any pipeline properties we owned when we made this decision. And we expect that during fiscal year 2024, we will likely see a meaningful return of capital from selling these pipeline sites.”

- Jonathan Fitzpatrick, DRVN CEO

## Mister™

	4Q2023 results <sup>(1)</sup>	Consensus <sup>(2)</sup>
Net revenues y/y growth	7.4%	7.5%
Comparable car wash sales growth	0.7%	n/a
Car wash y/y EBITDA growth	5.0%	1.3%
Total car wash locations	476	n/a
Net new car wash locations	40	n/a
Net revenues	\$230.1	\$230.4
Adjusted EBITDA	\$69.5	\$67.1
EPS (GAAP)	\$0.04	\$0.06
1-day stock price reaction (2/21/24)	(10.3%)	

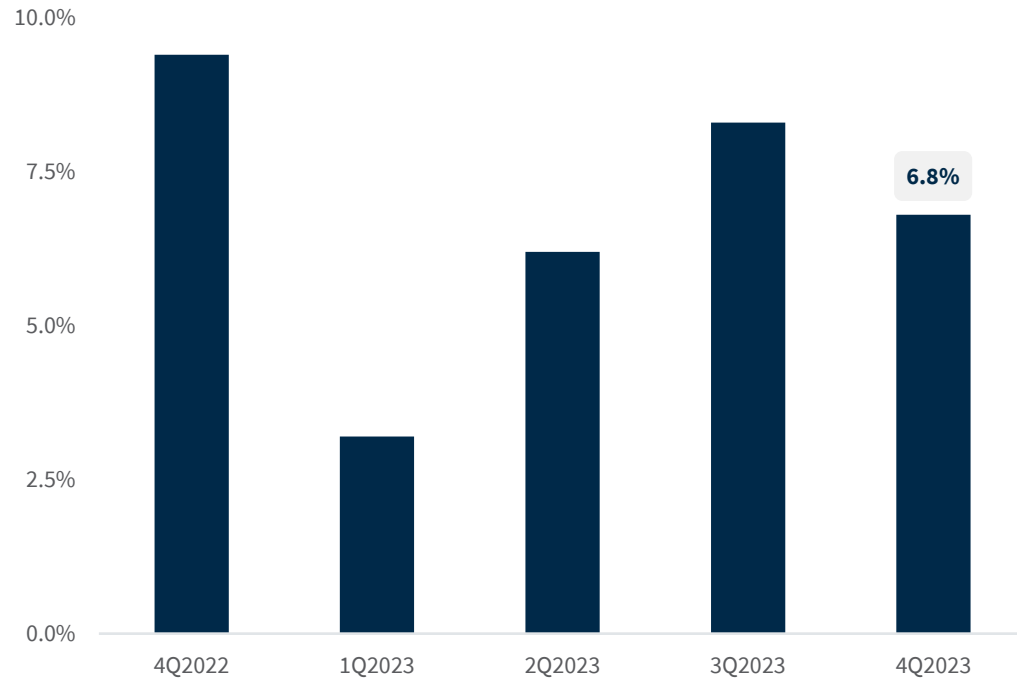
**Select commentary:** “Retail volume has been a headwind for us and appears to be weaker across this sector, driven by a more difficult overall economic environment for consumers and an increase in competitive activity. The good thing is that 2023 was the year when the number of new units coming into the market began to moderate. After years of explosive growth, the market is resetting, which is a good thing, and we believe that things will begin to abate in 2024 and dial down in 2025. While others are pressing pause, we're pushing full steam ahead. The next several years will be a period of opportunity for Mister Car Wash, opportunities for us to advance our position in the market but do it in a disciplined and opportunistic way.”

- John Lai, MCW CEO

Notes: (1) Company public filings; DrivenBrands.com and MisterCarWash.com.  
(2) Equity research consensus estimates per CapitalIQ and industry research reports.

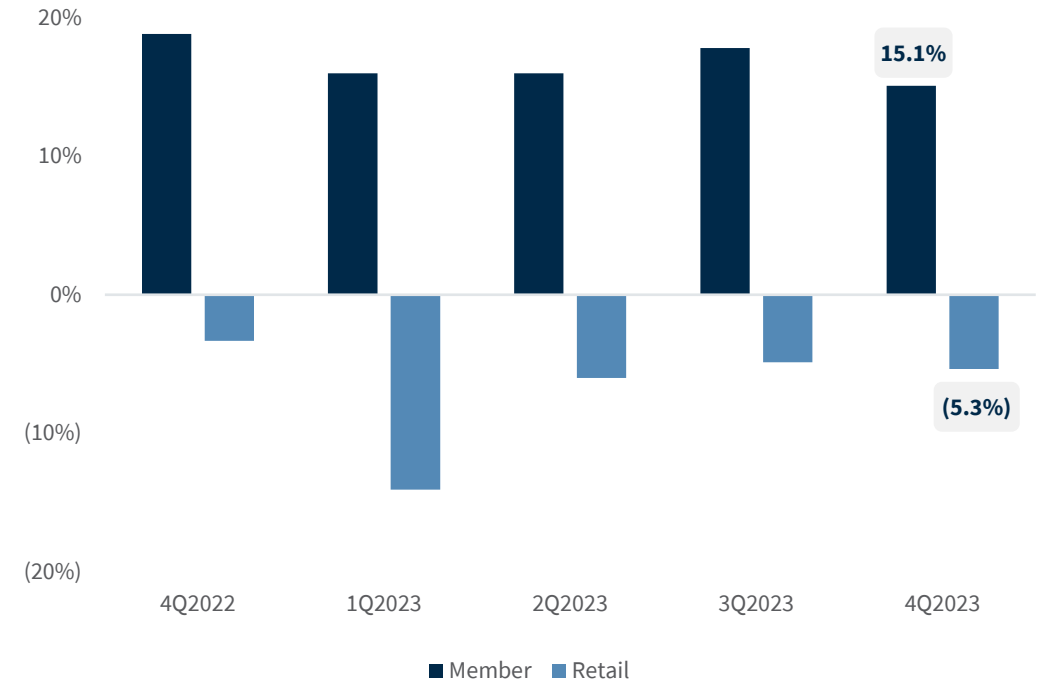
# Recent industry metrics

Same store sales growth y/y percentage



Growth in combined member and retail revenue from store locations that have been in operation for at least one year

Same store sales growth y/y percentage by member and retail



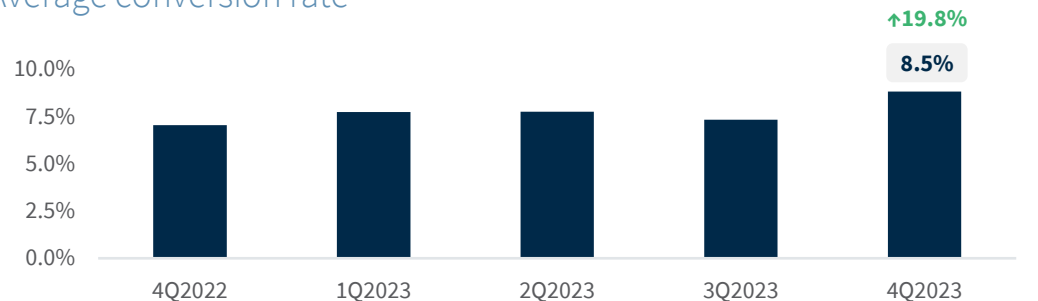
Growth in retail and member revenue from store locations that have been in operation for at least one year

Source: Q1 2024 Car Wash Industry Report, Rinsed.  
 Note: This report included aggregated data from over 2,000 car wash locations and excluded data from any public companies.



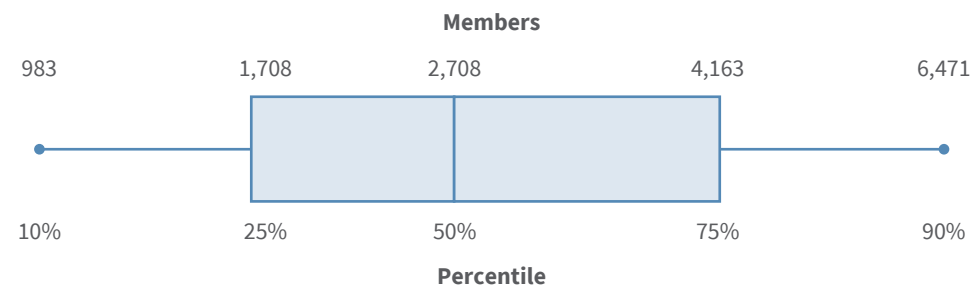
# Recent industry metrics (cont.)

Average conversion rate



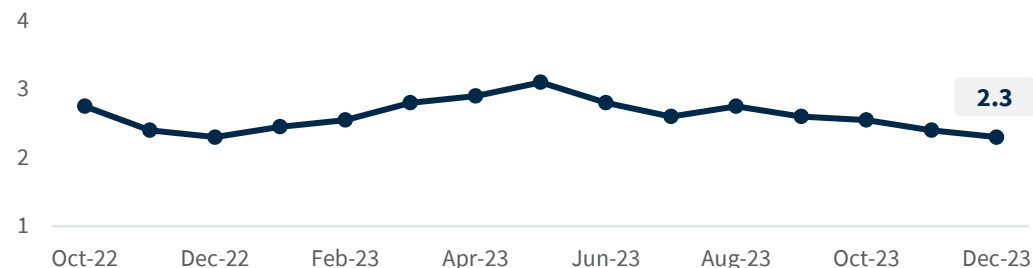
The percentage of retail customers that converted to members

Members per mature site



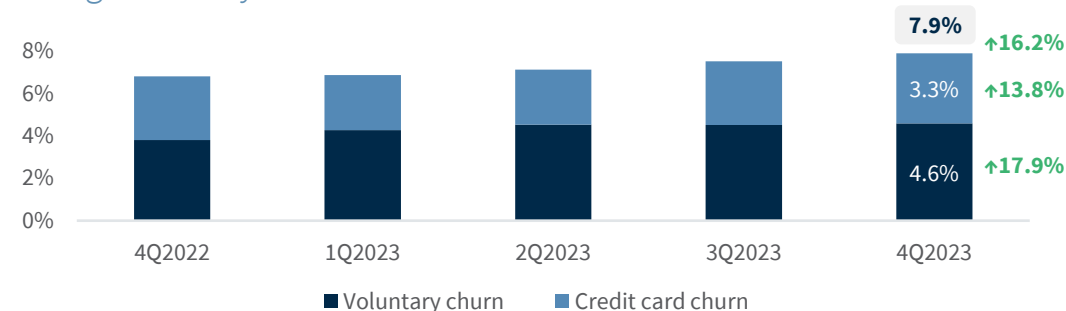
The number of members per site from store locations that have been in operation for at least 30 months

Average monthly usage



The average number of car washes per member per month

Average monthly churn



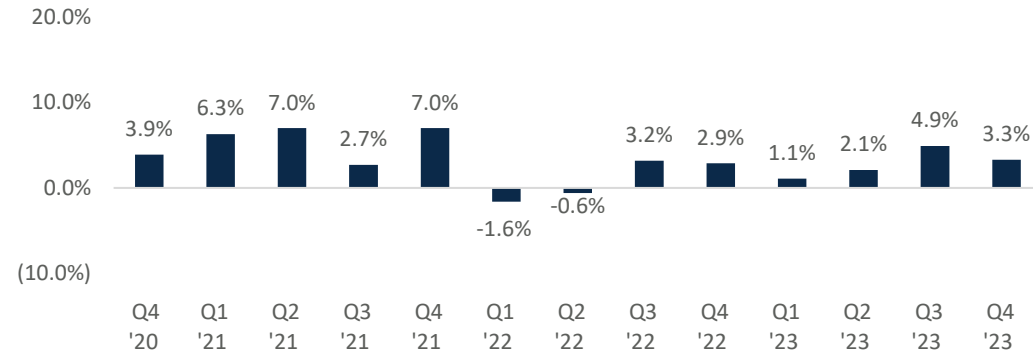
The percentage of members who churned due to credit card decline / expiration or members who chose to cancel their membership for any reason

Source: Q1 2024 Car Wash Industry Report, Rinsed.  
 Note: This report included aggregated data from over 2,000 car wash locations and excluded data from any public companies.

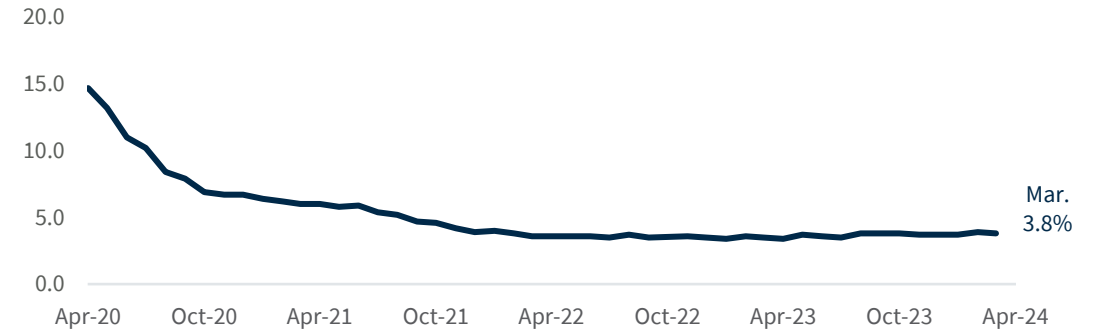
# Macroeconomic indicators

## Real GDP growth

(seasonally adjusted annual rates)

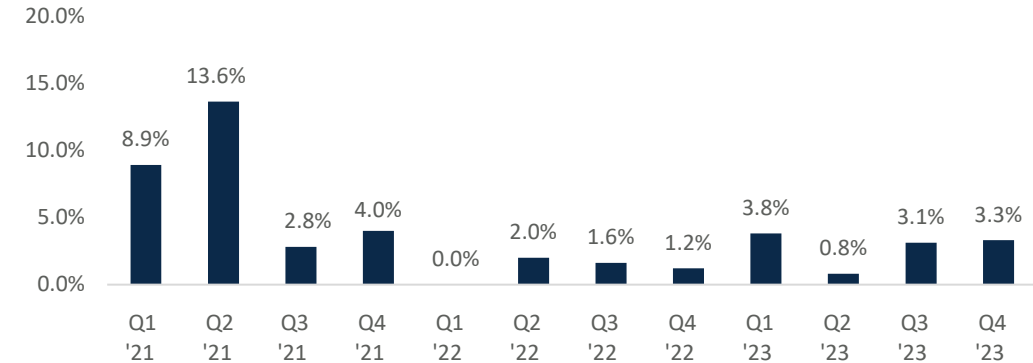


## Unemployment rate

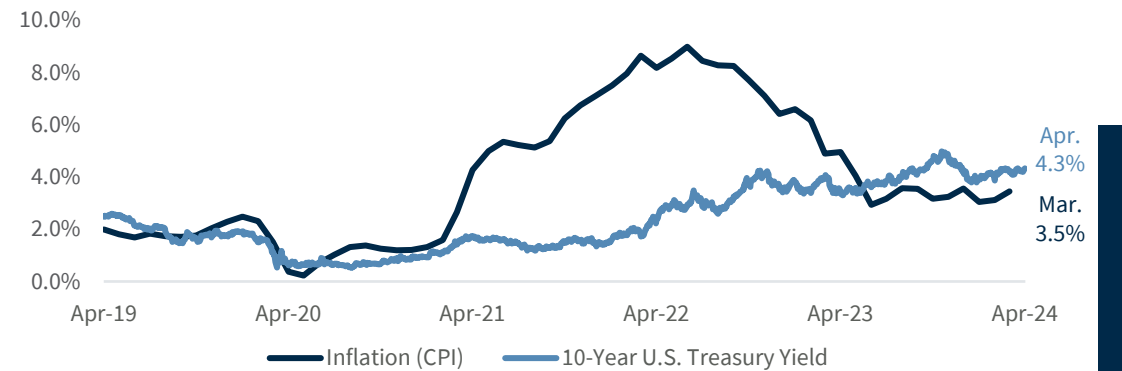


## Consumer spending growth

(real PCE percent change, seasonally adjusted at annual rates)

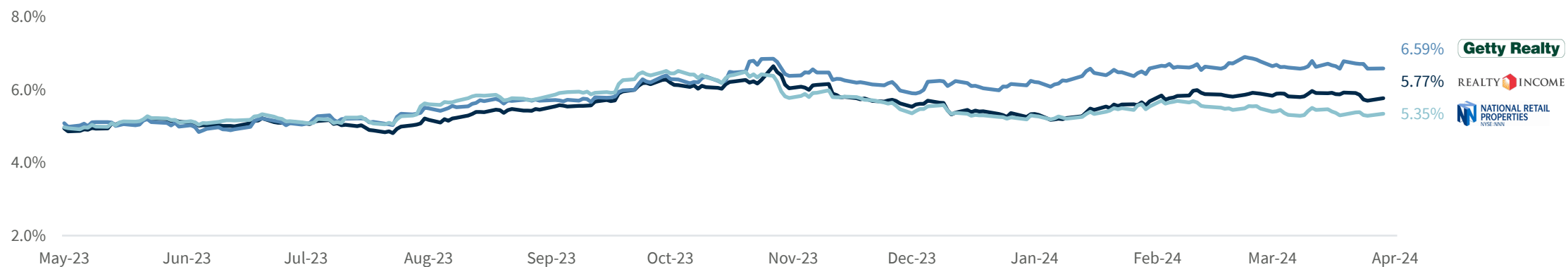


## Inflation vs. 10-year treasury



# Sale leaseback market conditions

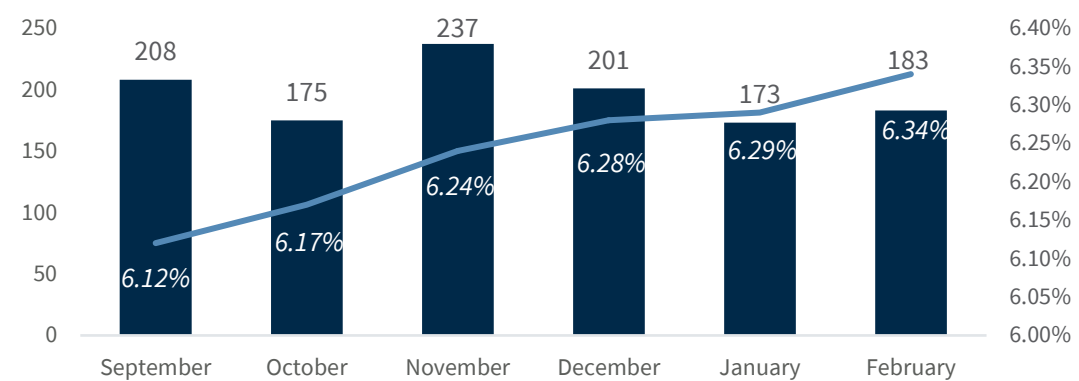
REIT dividend yields (last twelve months)<sup>(1)</sup>



Select operator sale leaseback terms<sup>(2)</sup>

Tenant	Number on market	Average cap rate	Average term	Average price
Take 5 Car Wash	33	6.41%	18.2	\$4.03
Mammoth Car Wash	22	6.17%	19.3	\$4.41
Modwash	15	6.07%	19.4	\$5.74
ZIPS Car Wash	13	6.27%	16.2	\$4.58
Mister Car Wash	10	5.96%	17.5	\$4.49
Super Star Express	9	5.81%	20.0	\$7.01
<b>Average</b>		<b>6.12%</b>	<b>18.43</b>	<b>\$5.04</b>

B+E car wash inventory report and average cap rate<sup>(2)</sup>

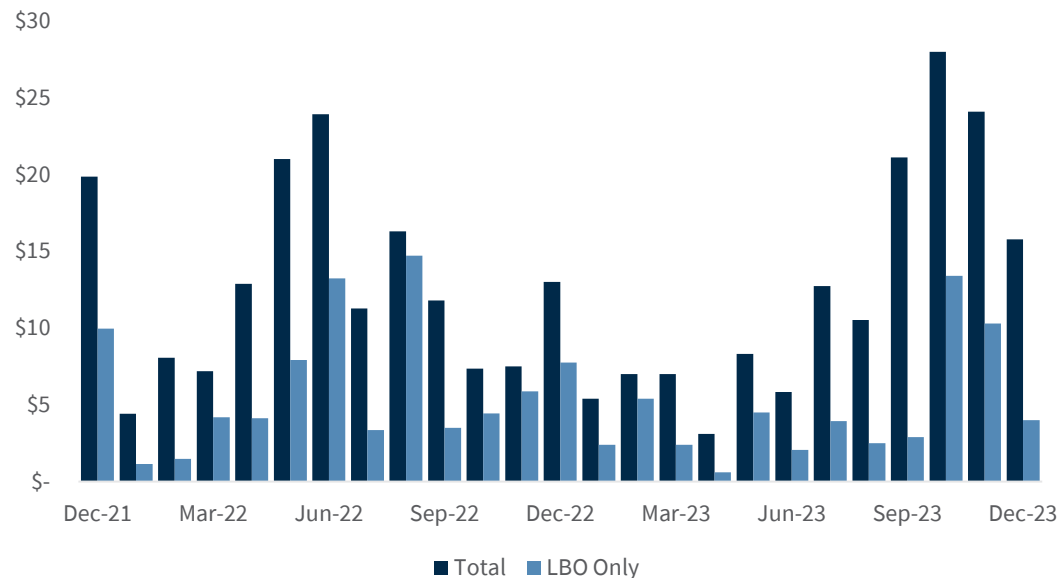


Notes: (1) Per Capital IQ, market data as of 4/1/2024.  
 (2) B+E NNN Car Wash Inventory Report, February 2024, cap rates presented are marketed rates as opposed to final terms.

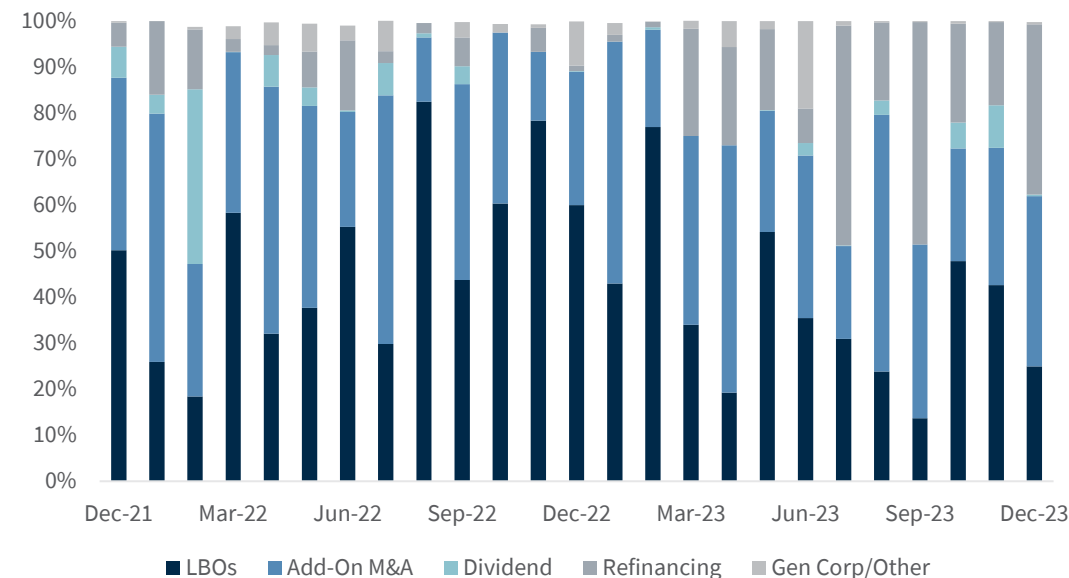
# Debt market: volume and use of proceeds

(\$ in billions)

Private debt monthly origination



Private debt monthly volume by proceeds

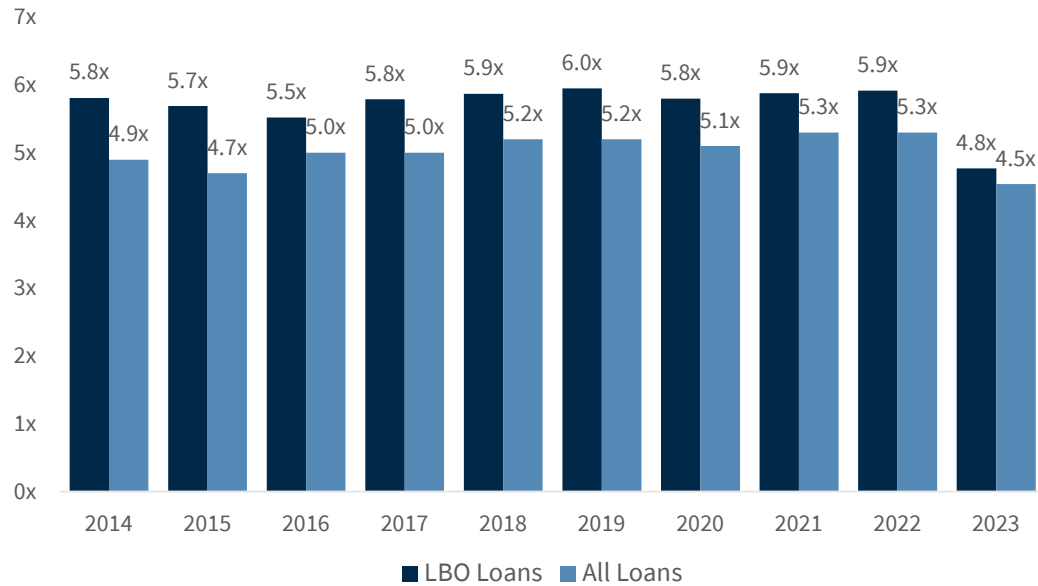


- 4Q23 volume of \$68bn was a quarterly record that far outpaced the \$28bn in 4Q22, the \$44bn in 3Q23, and the previous quarterly high of \$58bn in 2Q22
- After a dismal 1H23 that tallied just \$37bn, 2H23 volume totaled \$112bn
- 2023 volume of \$149bn inched past 2022's \$145bn, driven by the second half rally and a boost in jumbo financings
  - The post-Labor Day calendar delivered \$20bn+ in loans

- LBO activity surged in 4Q23, totaling \$28bn, topping the previous three quarters combined, and surpassing 4Q22's total of \$18bn
  - However, LBO volume was weaker overall totaling \$54bn for the year, down 25% from 2022's \$72bn, but only slightly less than 2021's \$57bn
- Add-on M&A volume remained steady year-over-year, finishing 2023 with a 33% share (\$49bn) of total volume, in line with 35% (\$50bn) in 2022 and 32% (\$36bn) in 2021
- Driven by private market steals from the BSL market, refinancings surged to 26% (\$39bn) of total volume in 2023, up from 7% (\$10bn) in 2022 and 8% (\$9bn) in 2021

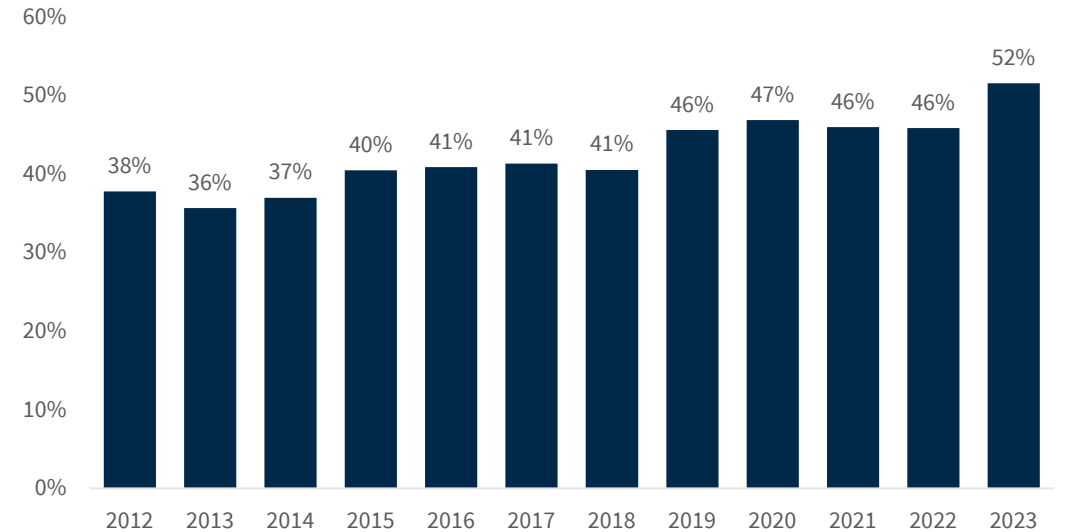
# Debt market: leverage statistics

Average debt multiples of large corporate loans



- Average debt multiples of large corporate LBOs have remained relatively constant over the last few years at around ~5.8x; however, 2023 saw a substantial dip to 4.8x, reaching the lowest value since 2010
- Looking at the overall market, average debt multiples declined to 4.5x in 2023, the lowest level since 2011's 4.4x

Equity contribution for large corporate LBOs<sup>(1)</sup>



- Equity contributions remained flat over the past few years at around 46%, but saw a notable uptick, reaching 52% in 2023, the highest level on record, as debt capacity has declined materially for borrowers amid a spike in interest rates and economic uncertainty

Source: Leveraged commentary and data. Data through December 31, 2023.

Note: (1) Equity contribution for Large Corporate LBOs data calculated on half-yearly basis and is as of June 30, 2023.

# What we're reading

## “Hot Inflation Report Derails Case for Fed June Rate Cut” | WSJ

**April 10, 2024** – Stubborn inflation pressures persisted in March, derailing the case for the Federal Reserve to begin reducing interest rates in June and raising questions over whether it can deliver cuts this year without signs of an economic slowdown.

The consumer-price index, a measure of goods and services prices across the economy, rose 3.5% in March from a year earlier, the Labor Department said Wednesday. That was a touch higher than economists had forecast and a pickup from February's 3.2%. So-called core prices, which exclude volatile food and energy categories, also rose more than expected on a monthly and annual basis.

[Read more](#)

## “4 pillars of carwash operational excellence” | Carwash.com

**April 1, 2024** – One of the challenges of the carwash industry is that, from an outsider's perspective, it looks easy. Cars go in, cars come out, the equipment does most — if not all — of the work and owners' biggest issue is how to count all the money they will make.

As a consultant, I have watched many new carwash owners go through the “four stages of grief” when they open the doors and start operating their carwashes, only to realize that the carwash business is not nearly as easy as it looked. Some owners come out of these four stages wiser and more prepared for their next carwash; in contrast, others remain in denial and their carwash descends into mediocrity, marginal performance and poor investment performance.

[Read more](#)

## “Why Are There Suddenly So Many Car Washes?” | Bloomberg

**February 21, 2024** – The town of Streetsboro, Ohio, just off the state's famous turnpike, owes a not insignificant part of its identity to automobiles and the industries that support them. About 6.5 million cars drive by every year, and the local retail mix is dominated by motels, gas stations and various drive-through businesses.

But in recent years, Mayor Glenn Broska has heard from a lot of constituents angry about one particular element of the autocentric landscape: car washes.

[Read more](#)

## “What is a giant Buc-ee's car wash like...” | USA Today Network

**December 13, 2023** – Want to get your car really, really washed? You'll get your chance soon as one of the biggest gas stations in Florida gets even bigger.

The construction next to the massive Buc-ee's gas station/convenience store/basically retail and snack theme park in Daytona Beach has been confirmed to be for a Buc-ee's car wash. Which isn't a big deal, usually, but this is Buc-ee's, a gas station that drew an estimated 5.4 million visitors over a 12-month period, and the Texas-based chain seems categorically incapable of doing anything small.

[Read more](#)

# Your success is our business



**SCOTT GARFINKEL**

Senior Managing Director & Group Head  
Nashville office  
615.645.6796  
[scott.garfinkel@raymondjames.com](mailto:scott.garfinkel@raymondjames.com)



**ROGER WOODMAN**

Managing Director  
Atlanta office  
404.240.6864  
[roger.woodman@raymondjames.com](mailto:roger.woodman@raymondjames.com)



**JOHN VEITH**

Managing Director  
Nashville office  
615.645.6799  
[john.veith@raymondjames.com](mailto:john.veith@raymondjames.com)

**Raymond James Financial Inc.**

880 Carillon Parkway | St. Petersburg, FL 33716 | 727.567.1000

*This material is not to be considered an offer or solicitation regarding the sale of any security. This material was prepared within Raymond James & Associates' Investment Banking Department and is for information purposes only. This material is not a product of Raymond James & Associates' Research Department; recipients of this report should not interpret the information herein as sufficient grounds for an investment decision or any other decision. The report shall not constitute an offer to sell or the solicitation of an offer to buy any of the securities mentioned herein; past performance does not guarantee future results. Information contained in this report was received from sources believed to be reliable, but accuracy is not guaranteed.*

Raymond James & Associates, Inc., member of New York Stock Exchange / SIPC

Learn how our deep industry expertise and commitment to each transaction can help you achieve your business objectives [here](#).

## Deep and experienced team



8 investment bankers



4+ equity research analysts



4+ dedicated equity capital markets pros

## Client focus

- Car wash operators
- Truck stop and travel center operators
- Commercial fuel and lube distributors
- Terminal operators
- Alternative fuel providers
- Convenience retail
- Merchandise / foodservice distributors
- Propane and heating oil marketers
- Mobile refueling
- Oil jobbers / wholesale fuel distributors

## Robust transaction experience<sup>(1)</sup>



80+ relevant industry transactions



>\$13B total deal value



30+ years focused on the industry

## Representative transactions

<p>has sold assets to</p> <p>April 2023</p>	<p>has sold select convenience store assets to</p> <p>Wills Group March 2022</p>	<p>has sold its convenience store assets to</p> <p>March 2021</p>
<p>has completed its business combination with</p> <p>December 2020</p>	<p>has been acquired by</p> <p>July 2020</p>	<p>Oklahoma</p> <p>has been acquired by</p> <p>March 2020</p>

Note: (1) Current as of 4/1/2024.