



INDUSTRY OVERVIEW

CAR WASH & AUTO DETAILING SERVICES

INDUSTRY OVERVIEW AND TRENDS

- ❑ Operators' primary activities in the industry include cleaning, washing, and waxing automotive vehicles. This space does not include gas stations with an in-bay car wash or companies that predominately provide automotive repair and maintenance services
- ❑ Prior to the pandemic, the car wash industry was flourishing. In 2019, the industry accrued \$13.23B in revenue
 - A positive economic landscape and stable, low fuel prices allowed individuals to drive more frequently, and the average industry profit improved with an increase in sales
 - Profit was enhanced by operator efficiency in changes in service offerings
- ❑ In a competitive industry, companies are now offering additional services to retain their customer base
- ❑ While no individual company generates more than 5% of the industry revenue, blue chip companies such as Walmart, The Home Depot, and Costco have entered the space
- ❑ Key Trends
 - COVID-19 has depressed the economy, resulting in layoffs and higher unemployment rates throughout the country. A lack of disposable income in households has shrunk the demand for car washes. With a strong economy, rebounds are expected, and consumers will return to car washing services
 - Regulation and public opinion will shift operators to more eco-friendly services. This focus will be on water usage and cleaning contaminants
 - Lower gas prices boost vehicle registration and increase average miles driving, and thus increase car wash demand
 - Work-from-home orders will hamper growth in the industry as consumers will reduce commuting

CAR WASH INDUSTRY TRANSFORMATION

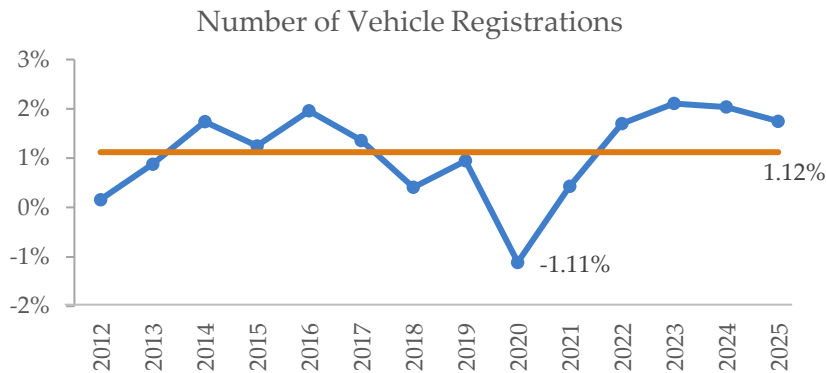
Advancements in innovation are attracting customers to car wash services

- ❑ Recently, operators have utilized websites and mobile apps to enable customers to make appointments for services
 - This practice is expected to enhance the customer experience by significantly reducing wait times for customers
 - Operators are also able to optimize their work volume by estimate services times and bottlenecks throughout the day
- ❑ On-demand car wash operators are starting to take hold
 - Companies will travel to the customers' desired location to perform cleaning services
 - Washé has raised over \$3M in funding. The company connects over 1,000 licensed and insured car washing professionals to customers
- ❑ Regulation and consumer preference has spurred sustainable innovation
 - Environmentally conscious consumers prefer eco-friendly soap and detergents and reduced water usage
 - Regulation on water usage has increased innovation to moderate consumption
 - ◆ Low-flow nozzles, timed washes, and equipment maintenance are key contributors to efficiency
- ❑ Technological advancement in reducing friction on vehicles has increased the demand of in-bay automatic car washes
 - Equipment such as PDQ's ProTouch system provides an alternative to customers who prefer a softer touch
 - The reduced friction will eliminate swaying of the vehicle and additional wear and tear to external paint
- ❑ Summary: Car washes with updated technology will attract the most customers, increase retention rates, and can charge higher prices

KEY INDUSTRY DRIVERS

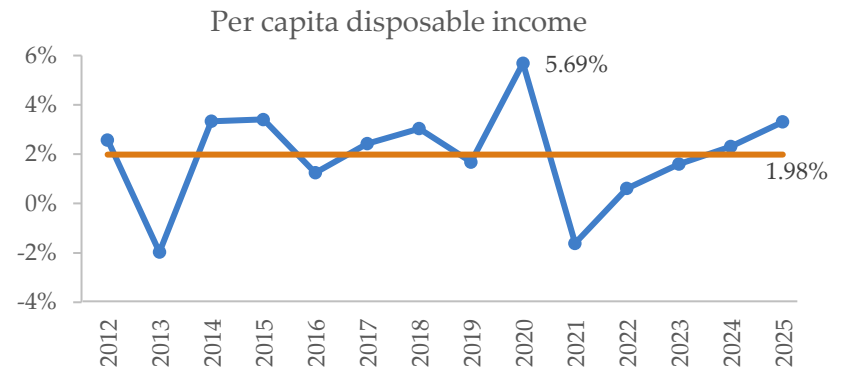
Consumer Disposable Income

- Discretionary services depend on income available after necessities have been procured. This includes individual customers and businesses. Increased unemployment rates for individuals and decreases in revenue for businesses have constrained disposable income.



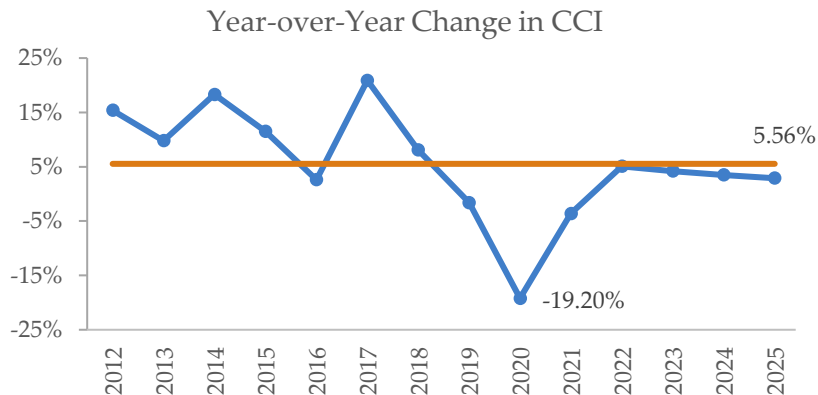
Number of Motor Vehicle Registrations

- The growth of the auto industry positively correlates to the car wash industry. With more vehicles on the road, the amount of prospective customers increase. The aftermarket auto industry depends on used and new car dealers.



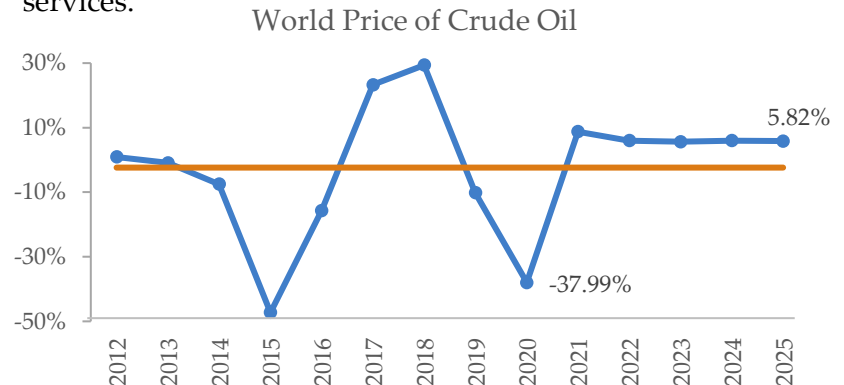
Consumer Confidence Index (CCI)

- The consumer confidence index measures customers' stance toward the economic future. When customers have a positive outlook, the index will increase. The 2020 index is expected to decrease, affecting the car wash industry.



Price of Fuel

- Lower gas prices encourage consumers to drive more frequently, while higher prices encourage consumers to find alternative transportation such as public transit. Rising fuel prices limits disposable income for discretionary services.

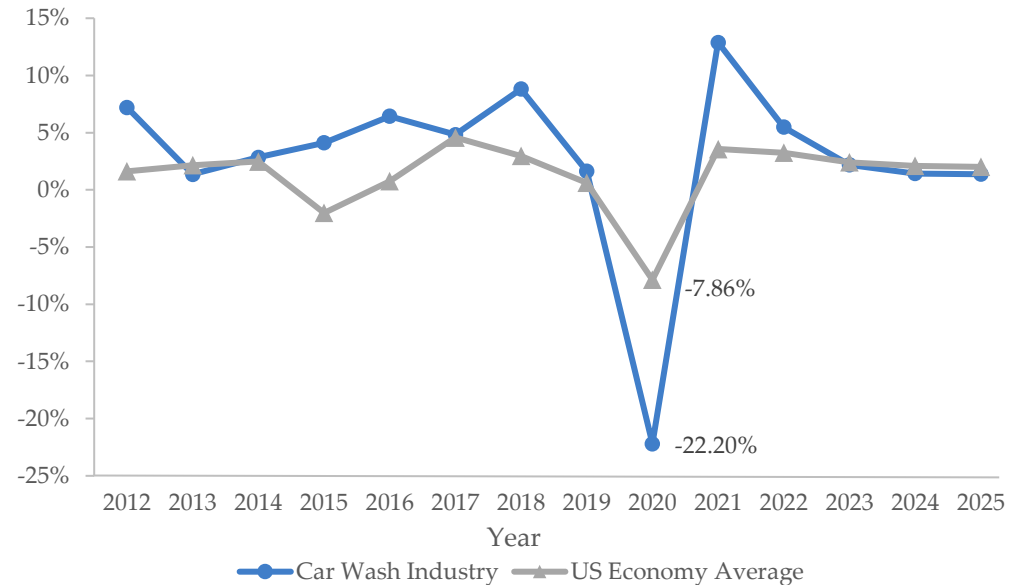


INDUSTRY PERFORMANCE

2020 Statistics

Revenue	→	\$10.3B
Profit	→	\$977.7M
Profit Margin	→	9.5%
Businesses	→	60,553
Employment	→	188K
Labor Wages	→	\$3.6B
Crude Oil ⁽¹⁾	→	-5.6%
Per Capita Disposable Income ⁽¹⁾	→	2.8%
Consumer Confidence Index ⁽¹⁾	→	1.3%
Number of Vehicle Registration	→	0.7%

Year-Over-Year Change in Revenue

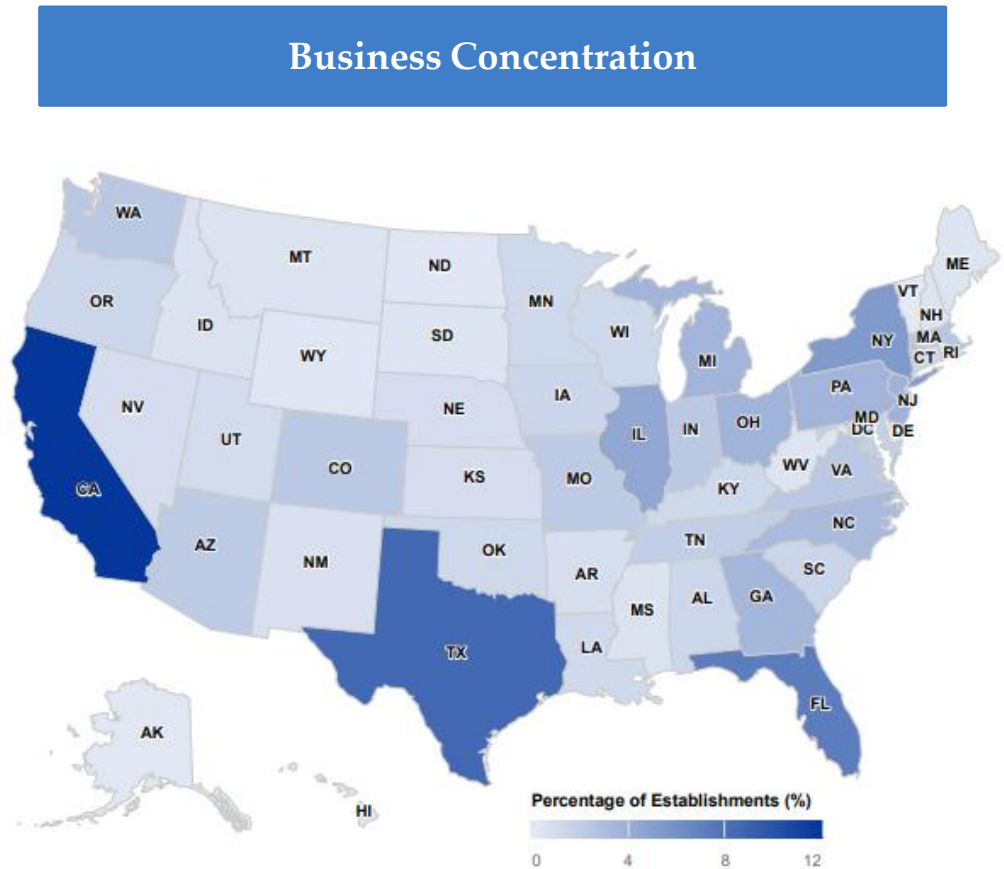


As a discretionary service, car washes are sensitive to economic change

- ❑ From 2012 to 2019, the industry had positive growth, expanding \$3B in total revenue over the 7-year span
- ❑ Over the past decade, the industry had benefited from downtrends in fuel prices and increasing wages
- ❑ In 2020, a lack of disposable income and social distancing mandates contributed to a (22.2%) shrinkage of the industry
 - Annualized revenue over the past 5 years was depressed to 0.8%
- ❑ Analysts projections estimate a sharp rebound in 2021 and the total revenue of the industry will revert to pre-pandemic levels by 2025

Market Outlook & Industry Locations

- ❑ Revenue projections over the next 5 years look promising as disposable income bounces back and unemployment rates fall; however, if businesses prolong work-from-home arrangements, growth of the industry will increase at a slower rate
- ❑ Regulations and environmental policies will come to the forefront as popular option trends toward sustainable practices
 - This will lead to carpooling and public transportation practices, limiting potential customers
 - Studies show that an average household uses 140 gallons of water to clean a vehicle, while professional services use 45 gallons on average. This realization will push new customers into the industry
- ❑ New operating techniques to improve business processes and adoption of technology to reduce water consumption will increase profit margins
 - By 2025, estimated profit could reach 20.9% of revenue
- ❑ The concentration of car wash establishments depends on climate, population levels, and city landscape
 - Climates with little rainfall or areas affected by salt corrosion from oceans will demand constant service
 - Densely populated regions generally have sufficient public transit; however regions where driving is a necessity will have an active car wash industry
 - Most populated states by industry operators: 1. California 2. Texas 3. Florida 4. New York 5. Illinois



SWOT ANALYSIS

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STRENGTHS

- Low consumer concentration
- Fragmented market
- Flexible business structure
- Flexible working hours
- No extensive training

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WEAKNESSES

- Low barriers to entry
- High competition
- Capital intensive
- Discretionary service
- High labor turnover
- Dependent on external suppliers for cleaning material

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OPPORTUNITIES

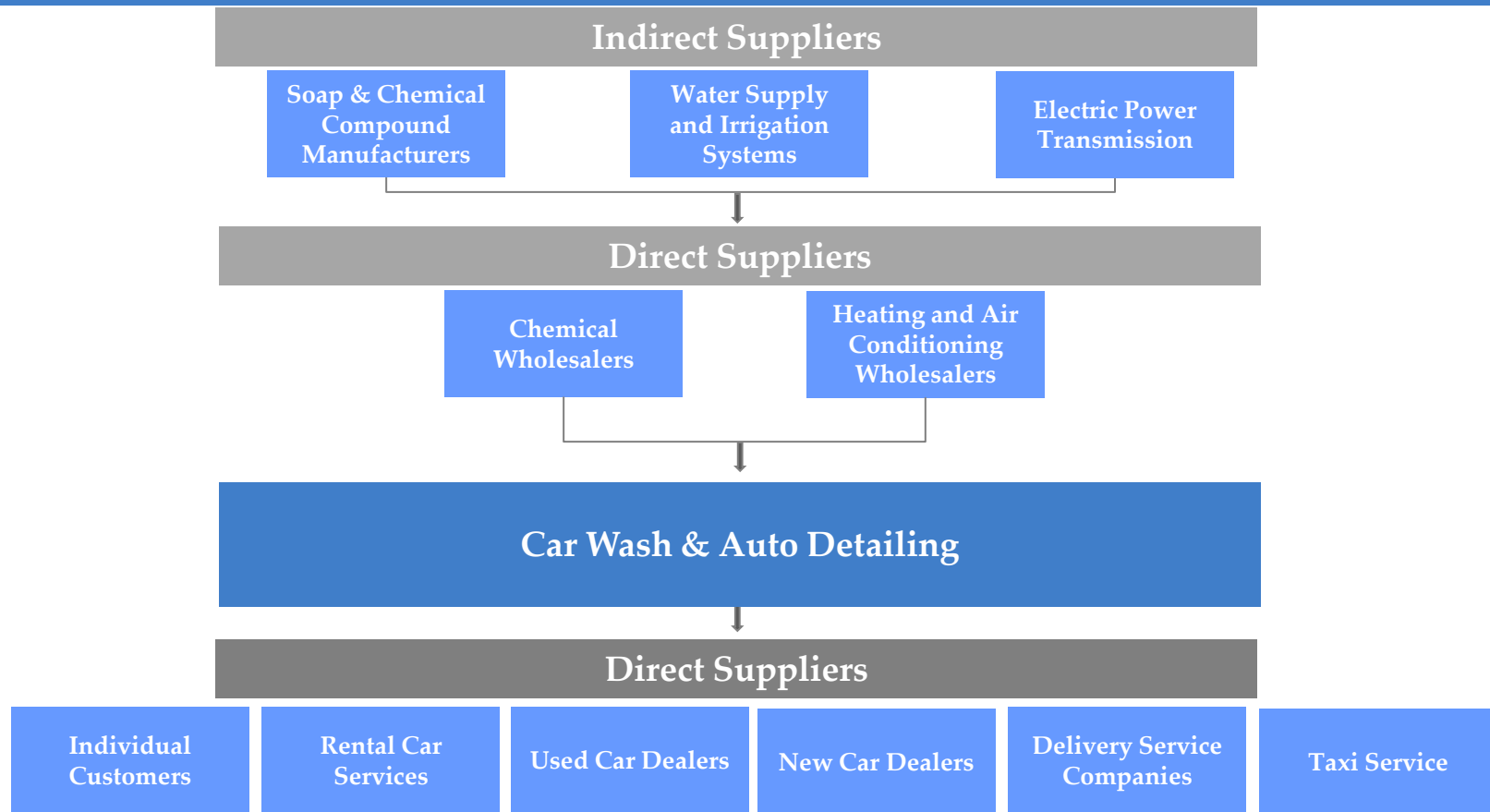
- Diversify cleaning services
- Technological innovation
- Franchising business model
- Large supply of labor
- Enhance sales through apps and websites

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THREATS

- Regulation on water usage
- Economic downturn
- Easily replicated business model
- Climate

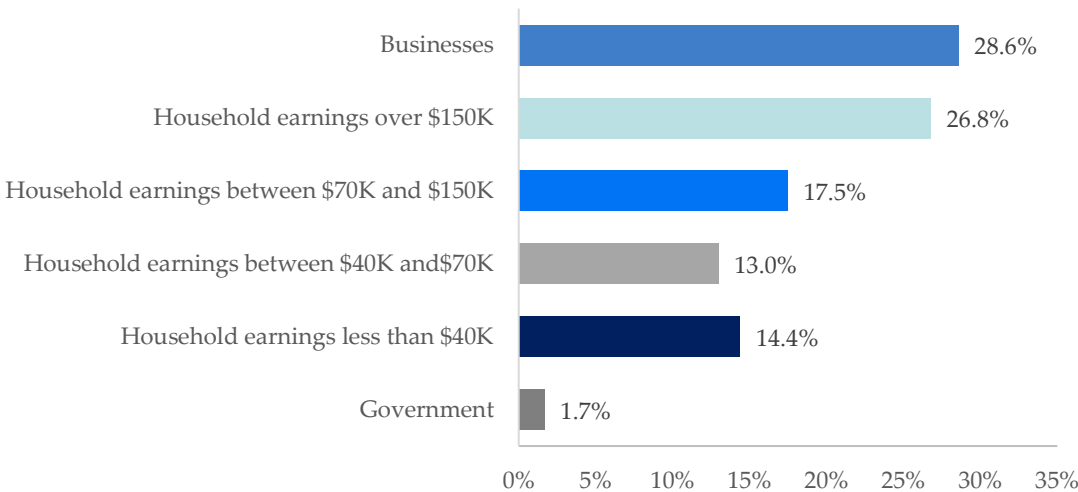
SUPPLY CHAIN



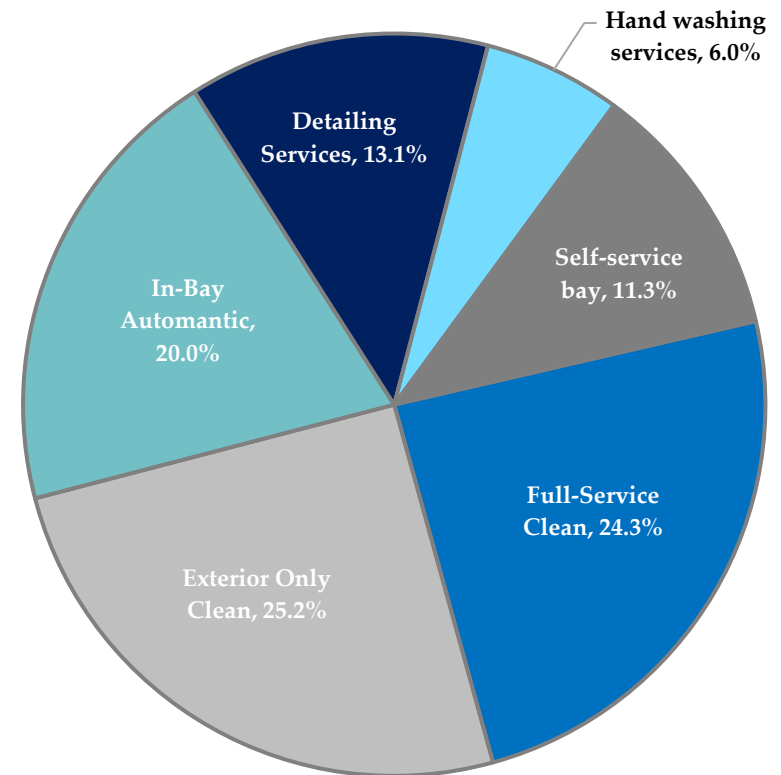
- ❑ Indirect suppliers include chemical compound manufacturers and utility suppliers for water and electric
- ❑ There are now major players in chemical wholesalers; however, company leaders in chemical manufacturing are P&G and Ecolab, having 13.7% and 11.9% of the market share, respectively
- ❑ Car wash companies have a diverse consumer base, servicing individual customers, businesses, and government entities alike

Consumer & Industry Segmentation

Consumer Segmentation



Car Wash & Auto Detailing Segmentation



- ❑ Households account for 70% of industry revenue
 - Higher earnings provides more disposable income for discretionary services such as car washes
 - Higher income customers spend more for premium services and spend more frequently in the car wash industry
- ❑ Government vehicles account for 1.6% of total registrations. Hence, revenue generated from federal clients is limited

PRODUCTS AND SERVICES

Differentiated products leads to...

Conveyor Car washes (Tunnel)

In-Bay Automatic Car Washes

Detailing Services

Self-Service Bays

Hand-washing Services

...consumer choice and variable operations





- 1 This product accounts for 49.5% of industry revenue. Three models, full-service, flex, and express. Labor intensive. Service times between 10-15 minutes. Full-service average cost is \$15.
- 2 This segment does not count for 40,000 in-bay car washes operated by gas stations. In-bay washes are expected to increase market share due to tech innovations and COVID-19. Average cost is \$7.
- 3 Vehicles are washed and waxed manually. Service generally performed by auto dealers. Highly labor intensive. Costs can exceed \$50.
- 4 Equipped with wands, hoses, vacuums, towels, and air fresheners. Coin operated. Little labor requirements. Average cost is \$4.
- 5 Selected if vehicles need extra care. Highly labor intensive. Product has declined in recent years for conventional services. Costs exceed \$20.

New Services - Increase competition has led to companies revamping services lines to retain customers

- Companies are starting to sell high margin products including towels, vacuum cleaners, floor mats, and car accessories
- Conveyor car washes have refurbished waiting rooms for clients
- Pet cleaning services are now available alongside traditional car washes

CAR WASH & DETAILING PLAYERS

In the Car Wash industry, every company generates less than 5% of the total industry revenue. With low barriers to entry and a fragmented market, the industry has undergone intense competition. M&A activity and consolidation has been active lately across strategics and private equity firms. The following companies are some of the largest in the space.

Name	Headquarter	Estimated # of Locations	Description
	Tuscon, AZ	325	<ul style="list-style-type: none"> ❑ Services over 7M cars annually ❑ Extends over 21 states and employs over 8,000 individuals ❑ Projected revenue in 2020: \$435M ❑ Subscription service allows unlimited car washes per month ❑ Acquired by Leonard Green & Partners in 2014
	Little Rock, AR	185	<ul style="list-style-type: none"> ❑ Locations over 17 states and employs over 1,400 individuals ❑ Provides 4 membership plans for customers ❑ Received growth-equity investment from Atlantic Street Capital to expand Zips' platform through organic growth and acquisition
	Contennial, CO	150 (US)	<ul style="list-style-type: none"> ❑ International company that services 35M cars a year ❑ Operates over 900 locations across 14 countries ❑ Third largest car wash company in the US ❑ Acquired by Driven Brands in 2020
	Charlotte, NC	85	<ul style="list-style-type: none"> ❑ Family-owned company founded in 1969 ❑ Services over 5M cars annually ❑ Operates throughout the southeast and employs 3,000 individuals ❑ Projected revenue in 2020: \$164.4 ❑ During pandemic, the company introduced an interior disinfectant service, utilizing an EPA-registered solution to eliminate viruses and bacteria

RECENT M&A DEALS

Deal Date	Acquirer	Target	Target Location
Oct-2020	International Car Wash Group	Village Express Car Wash	Cleveland, OH
Oct-2020	International Car Wash Group	Sudsy's Car Wash	Nashville, TN
Sep-2020	Mister Car Wash	Bush Car Wash	WA
Aug-2020	Driven Brands	International Car Wash Group	Contennial, CO
Aug-2020	Mammoth Holdings LLC	Mr. K Car Wash	Atlanta, GA
Jun-2020	Mammoth Holdings LLC	PitStop Car Wash	AL, MS, LA
Feb-2020	Mister Car Wash	Love Express Car Wash	Winter Have, FL
Jan-2020	WhiteWater Express	Rev Car Wash	Dallas, TX
Jan-2020	International Car Wash Group	Baird Brothers Express Car Wash	Waco, TX
Jan-2020	International Car Wash Group	The Wash Factory	Dallas, TX
Jan-2020	International Car Wash Group	Your Express	Dallas, TX
Nov-2019	International Car Wash Group	TLC Xpress Carwash	Fayetteville, NC
Nov-2019	International Car Wash Group	Goo-Goo Express Carwash	Rome, GA
Nov-2019	Sgt. Clean's Car Wash	Splash 'n Dash of Green	Uniontown, Ohio
Nov-2019	Mister Car Wash	Car Wash Express	Orlando, FL
Oct-2019	Mister Car Wash	Waterdrops Express Car Washes	CA
Oct-2019	Mister Car Wash	Wash Factor Express	Atlanta, GA
Aug-2019	Mister Car Wash	Ride the Tide Car Wash	Rockford, MI
Jun-2019	Zips Car Wash	Champion Xpress Car Wash	NM, TX
May-2019	Zips Car Wash	Wiki Wiki Car Wash	Greensboro, NC
Apr-2019	WhiteWater Express	Legends Express Car Wash	TX
Apr-2019	Zips Car Wash	American Pride Xpress	NC
Feb-2019	National Express Wash	El Car Wash	Miami, FL
Nov-2018	Palladin Partners	Splash Car Wash	Greenwich, CT

ACQUISITION FINANCIAL DATA

Financials	Low	Median	Average	High
Revenue	\$327,894	\$787,945	\$710,795	\$977,083
Gross Profit	291,906	523,724	558,136	908,566
EBITDA	40,029	79,703	146,406	157,026
EBIT	34,628	58,579	109,266	115,023

Margins	Low	Median	Average	High
Gross Profit Margin	68.88%	85.41%	80.05%	92.50%
EBITDA Margin	5.50%	16.09%	14.48%	22.08%
EBIT Margin	5.59%	9.77%	13.00%	18.27%

Multiples	Low	Median	Average	High
Enterprise Value/Revenue	1.6x	2.9x	2.85x	4.7x
Enterprise Value/EBITDA	2.94x	3.27x	5.97x	9.80x
Enterprise Value/EBIT	4.29x	7.27x	12.20x	16.27x

- ❑ Financial and valuation data depend on type of car wash service provided: Flex, Full Service, In-Bay, Self Serve, Express
- ❑ Valuation multiples are inclusive of real estate

DAVIDSON CAPITAL ADVISORS PROFESSIONALS

Robert S. Cashion **Managing Director, Investment Banking and Advisory Services**

Prior to joining Davidson Capital Advisors, Mr. Cashion spent over 20 years in the financial services industry. He manages the firm's overall corporate finance and consulting practice where he oversees and executes the firm's investment banking, advisory and capital raising engagements.

Mr. Cashion worked with several financial institutions and consulting firms delivering investment banking, leveraged finance, consulting and restructuring services. He worked with Bank of America Merrill Lynch and its predecessor firms in the High Grade Capital Markets, Corporate Finance and the Special Situations group.

Mr. Cashion has been involved in industry sectors including general industrial, distribution, business services, retail, technology and healthcare. Mr. Cashion holds B.A. Education, B.S. Accounting, and an MBA from the University of North Carolina. He is a Certified Public Accountant and holds FINRA 7, 63 and 79 securities licenses.



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Elizabeth Folger **Managing Director, Institutional Client Coverage**

Prior to joining Davidson Capital Advisors, Ms. Folger spent 16 years in the financial services industry in a variety of functions, most recently with Bank of America Merrill Lynch and its predecessor firms. She manages the sales and auction processes for the firm's sell side M&A and capital raising engagements. Her deep experience in the sales and trading has resulted in excellent execution for our client's projects.

She worked in the Loan Syndication Sales Group, headquartered in Charlotte, with her primary responsibilities for sales and distribution of syndicated loans for middle market and large corporate credits. Also, Ms. Folger worked on the Corporate Bond Trading desk where she managed and traded risk positions of \$50-\$100 million of intermediate term bank and finance paper.

Ms. Folger has been involved in a variety of sectors including general industrial, distribution, business services, retail, technology and healthcare. She holds a Bachelor of Arts from Hollins University.



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Prior to joining Davidson Capital Advisors in 2020, Mr. Lavietes interned with Sherman and Company for the summer of 2019. He graduated from The University of Georgia in 2020 with a Bachelor of Business Administration with a major in Finance and Risk Management Insurance.

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