



INDUSTRY OVERVIEW CAR WASH & AUTO DETAILING SERVICES

EXECUTIVE SUMMARY

- ❑ In the previous 5 years prior to 2021, lower prices in oil allowed for consumers to use their vehicles, as cheap gas prices leads to greater use of their cars.
- ❑ Car Wash and Auto Detail industry saw strong growth leading into 2019, however COVID-19 brought with it economic challenges that did not leave these industries unscathed. This pandemic brought with it increased unemployment rates and a decrease in consumer spending.
- ❑ Despite downward pressure from COVID, the economy has steadily recovered and people have been able to begin to return to work. As a result, for the next 5 years after 2021, industry revenue is estimated to increase at an annualized rate of 2.0% to 13.1 billion, including 9.4% growth in 2021 alone.
- ❑ Before 2020, average industry profit improved as demand for industry services increased. This profit growth stemmed from changes in product offerings by industry operators. Companies diversified their offerings to build a stronger customer base, implementing value-added services such as interior cleaning, waxing and rim shining, in addition to their more basic packages.
- ❑ Demand for services provided by the Car Wash and Auto Detailing industry is expected to continue rising during the outlook period. Over the five years to 2026, industry revenue is projected to grow an annualized 1.7% to \$14.2 billion
- ❑ Revenue growth will be bolstered by rising per capita disposable income, which will boost consumers' propensity to spend on discretionary services, such as car washes. Furthermore, environmental awareness of water usage will boost demand for professional car washing because professional services typically use less than one third of the water used by residential car washing.

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
 - The Coronavirus Aid, Relief & Economic Security (CARES) Act was signed on March 27, 2020 to alleviate the negative impacted of the virus
 - ◆ The Paycheck Protection Program (PPP) provides forgivable loans to small businesses (< 500 employees)
 - ◆ Through Economic Injury Disaster Loans (EIDL) the Act allocates \$10,000 grants
 - Regulation and public opinion will shift operators to more eco-friendly services. This focus will be on water usage and cleaning contaminants
 - As companies move away from the Work-from-Home orders we should expect an increase in activity for this industry

KEY SUCCESS FACTORS

- ❑ **Business expertise of operators:**
 - Since the Car Wash and Auto Detailing industry is generally made up of small, privately owned operators, acquired knowledge on how to run day-to-day activities and handle industry issues is a key success factor.
- ❑ **Proximity to key markets:**
 - Being located on busy roads is essential. The volume of passing traffic (known as 'traffic count') is a key determinant of the success of a car wash business. Being located at major intersection can also be ideal.
- ❑ **Having a loyal customer base:**
 - Car wash operators compete based on providing superior value and customer service. Attracting and retaining a loyal customer base is crucial to success.
- ❑ **Access to the latest available and most efficient technology and techniques:**
 - Car washes with the most up-to-date technology will attract more customers and can charge higher prices.
- ❑ **Ability to accommodate environmental requirements:**
 - This industry is subject to environmental restrictions on water usage and effluent and generates demand from the effect of environmental regulations on clients. Successful operators promote an environmentally aware image and service.

CAR WASH INDUSTRY TRANSFORMATION

Summary: Car washes that invest in updated their car wash technology will attract the most customers, gain the local market share, increase retention rates, and are able to dictate pricing for their car wash service.

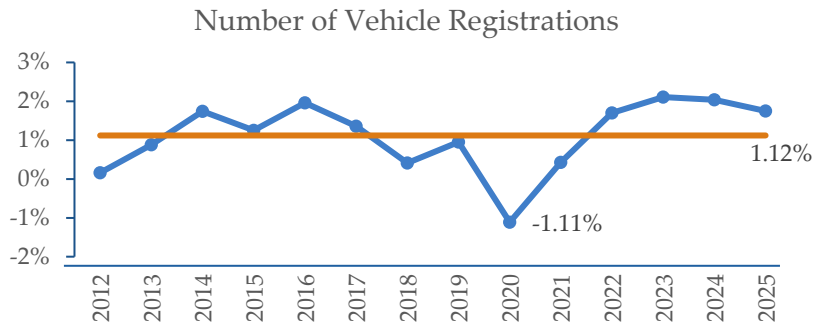
Advancements in innovation are attracting customers to car wash services

- ❑ Recently, operators have utilized websites and mobile apps to enable customers to make appointments for services
 - This practice is expected to enhanced the customer experience by significantly reducing the 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 conscience 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

KEY INDUSTRY DRIVERS

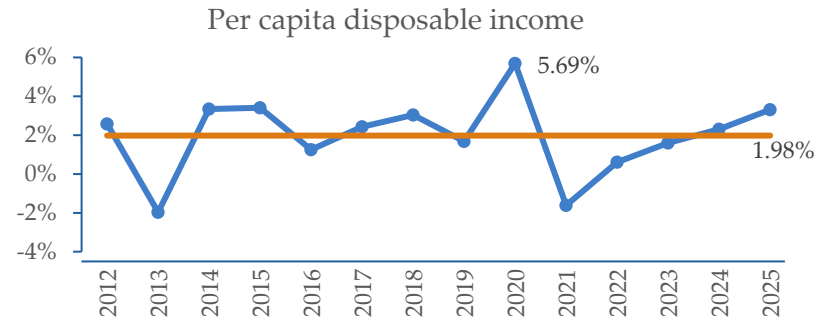
Consumer Disposable Income

- 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.



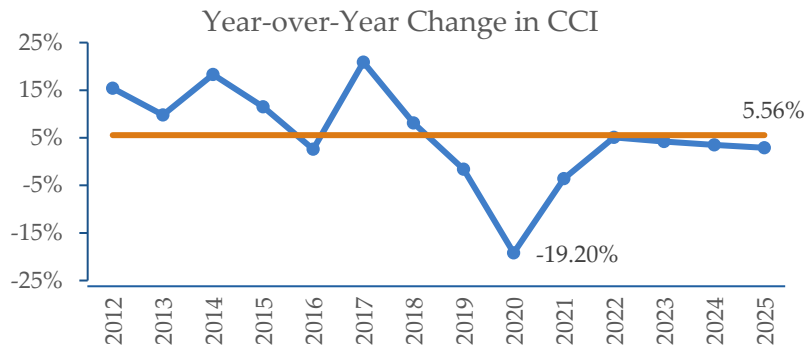
Number of Motor Vehicle Registrations

- 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.



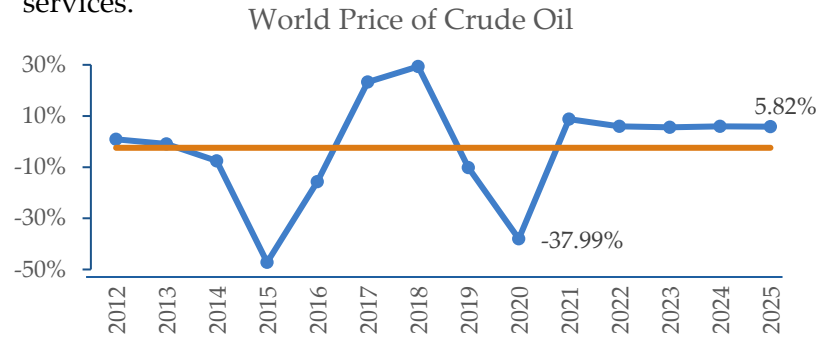
Consumer Confidence Index (CCI)

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



KEY METRICS

\$13.1bn
Revenue



\$1.4bn
Profit



10.9%
Profit Margin



55,807
Businesses



199k
Employment



\$4.1bn
Wages



Key External Drivers

% = 2015-21 Annual Growth

6.6%
World price of crude oil
3.3%
Per capita disposable income

3.3%
Consumer confidence index
0.4%
Number of motor vehicle registrations

Industry Structure

POSITIVE IMPACT

Concentration
Low

Industry Globalization
Low / Steady

MIXED IMPACT

Life Cycle
Mature

Revenue Volatility
Medium

Capital Intensity
Medium

Regulation & Policy
Medium / Increasing

Technology Change
Medium

NEGATIVE IMPACT

Industry Assistance
Low / Increasing

Barriers to Entry
Low / Increasing

Competition
High / Increasing

Key Trends

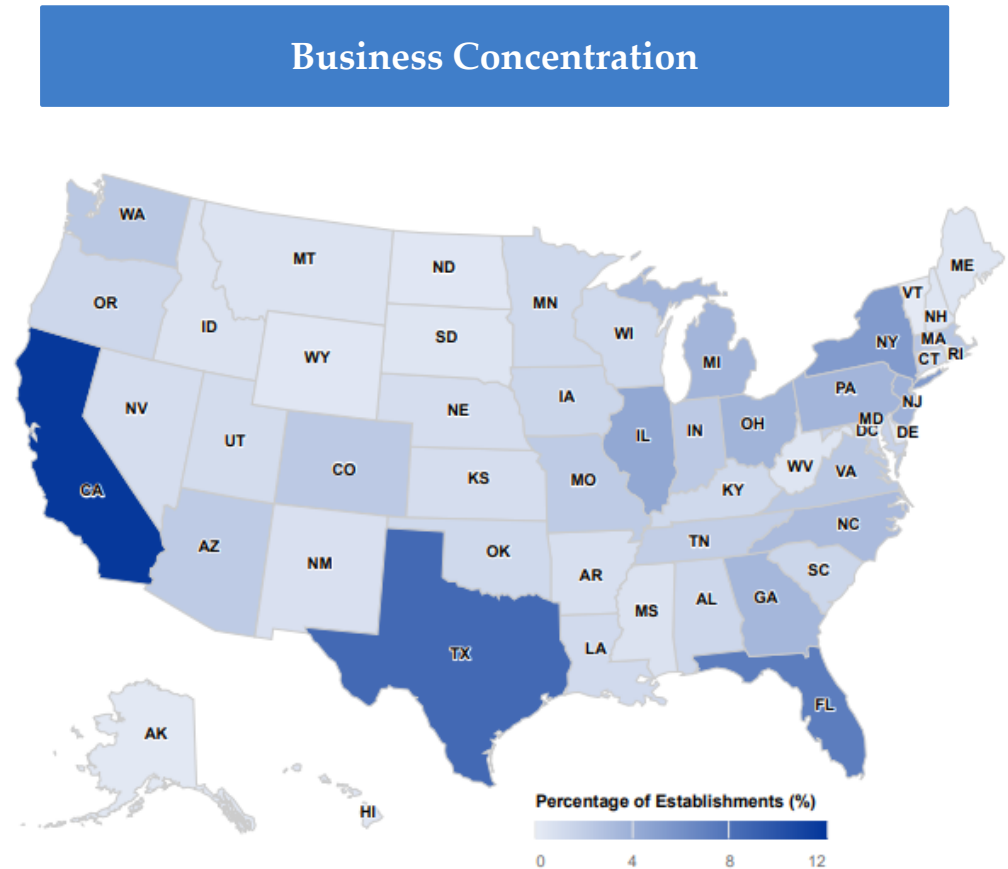
- New car sales plummeted in 2020, thereby reducing the industry's customer base
- The stay-at-home orders diminished demand for industry services at locations that remain open
- To ward off competition, smaller industry players have revamped their product and service lines
- The number of vehicles in use in the United States is projected to rise steadily
- The industry will continue to experience competition from gas stations that provide car wash services
- Municipal regulations are also expected to boost demand for the industry's services
- As the pandemic subsides, industry profit is expected to recover

Products & Services Segmentation



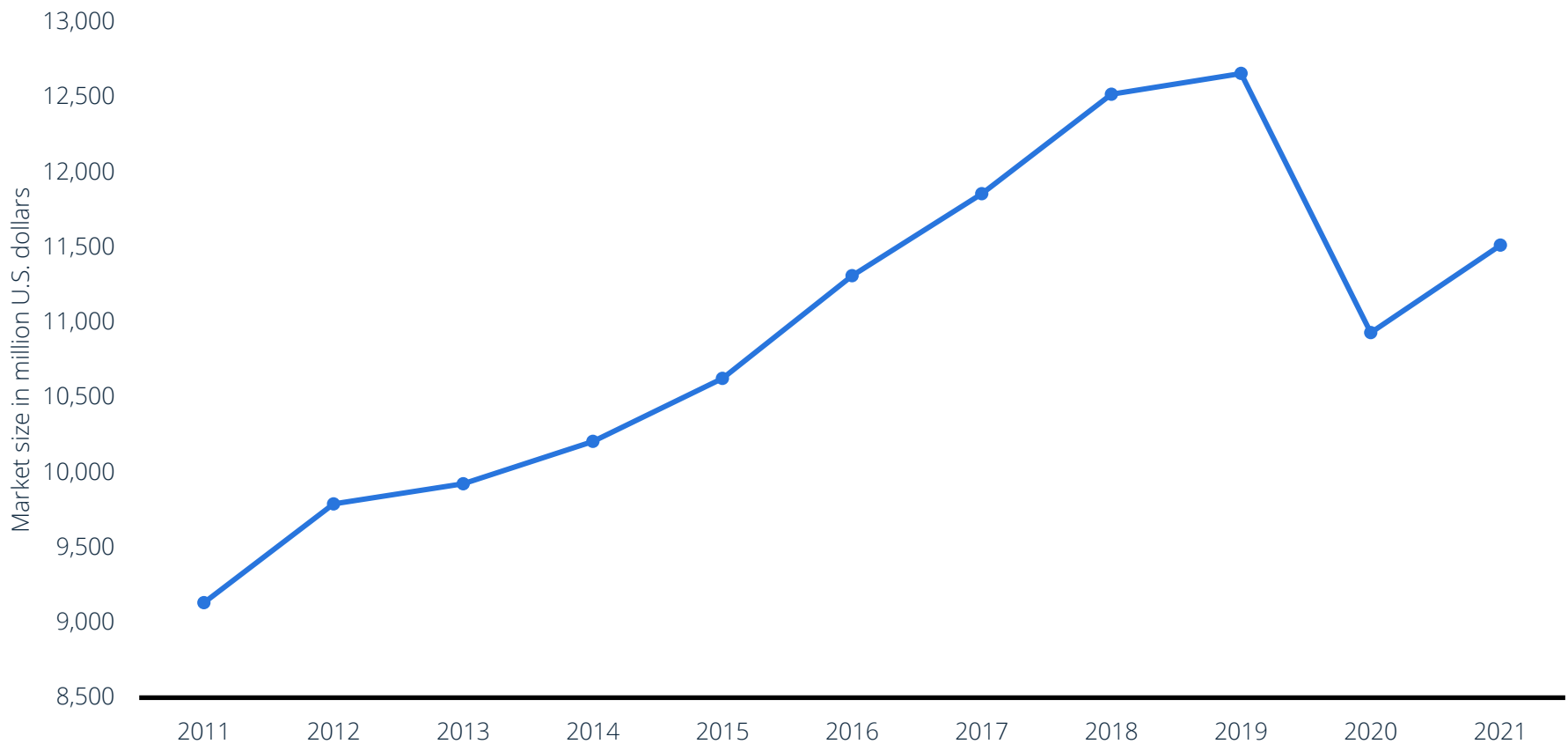
Market Outlook & Industry Locations

- ❑ 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



Car wash & auto detailing market size in the United States from 2011 to 2021 (in million U.S. dollars)

Market value of car wash & auto detailing in the U.S., 2011-2021



SWOT ANALYSIS

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STRENGTHS

- ❑ Low consumer concentration
- ❑ Low Imports
- ❑ High Profit vs. Sector Average
- ❑ Low Customer Class Concentration
- ❑ Low Product / Service Concentration

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WEAKNESSES

- ❑ Low Increasing Barriers to Entry
- ❑ Low Revenue per Employee
- ❑ High Capital Requirements

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OPPORTUNITIES

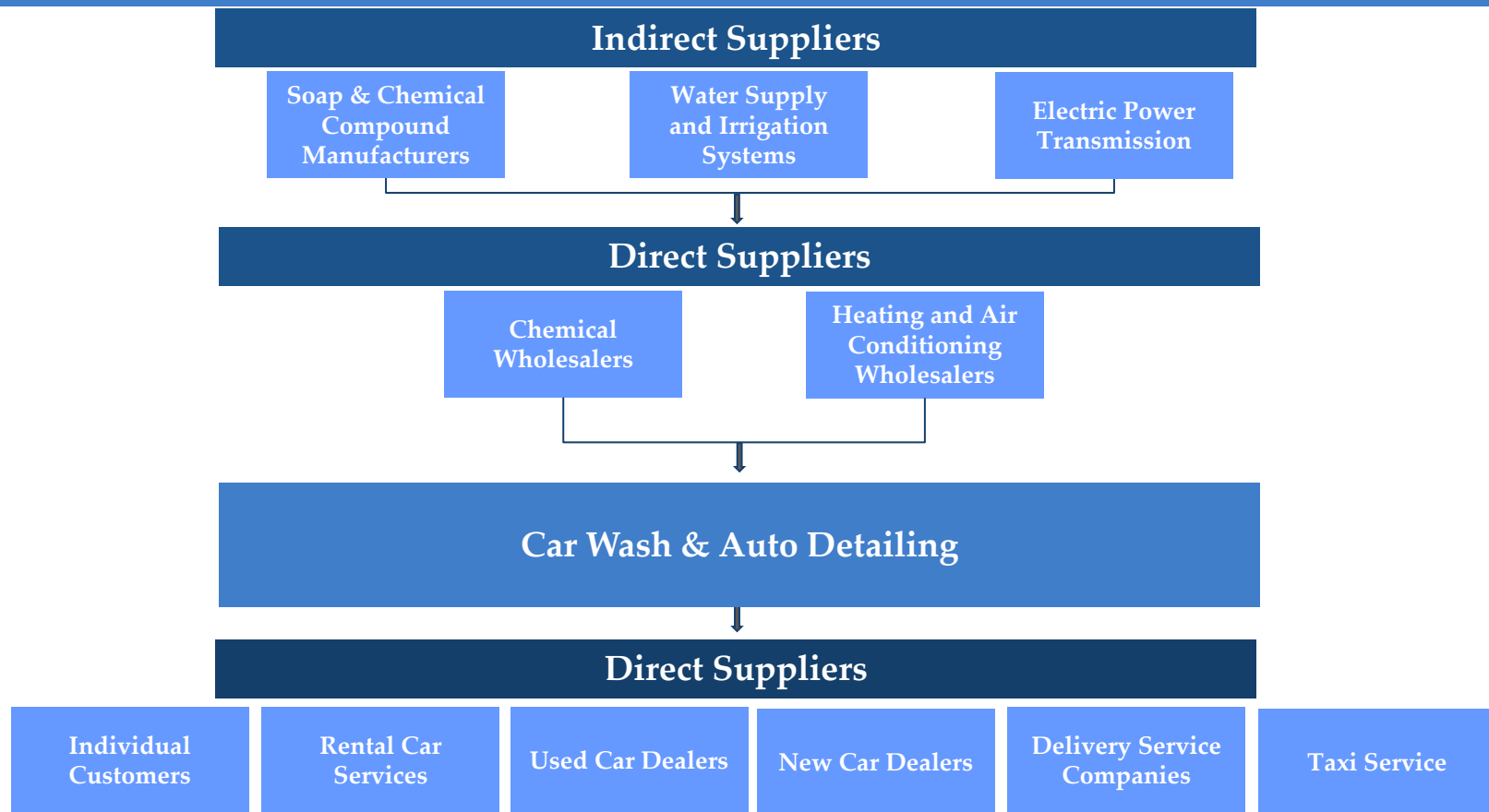
- ❑ High Revenue Growth (2016-2021)
- ❑ High Performance Drivers
- ❑ Global Oil Prices

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THREATS

- ❑ Low Revenue Growth (2005-2021)
 - ❑ Low Outlier Growth
 - ❑ Per Capita disposable income
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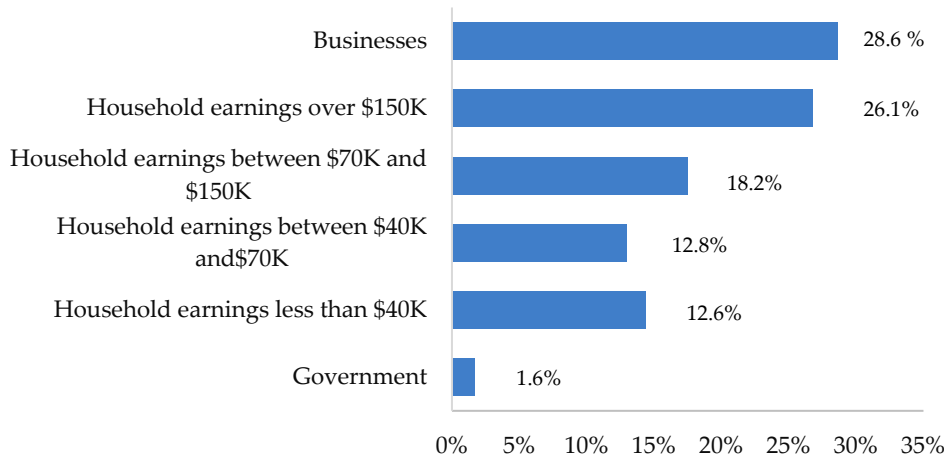
SUPPLY CHAIN



- ❑ 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

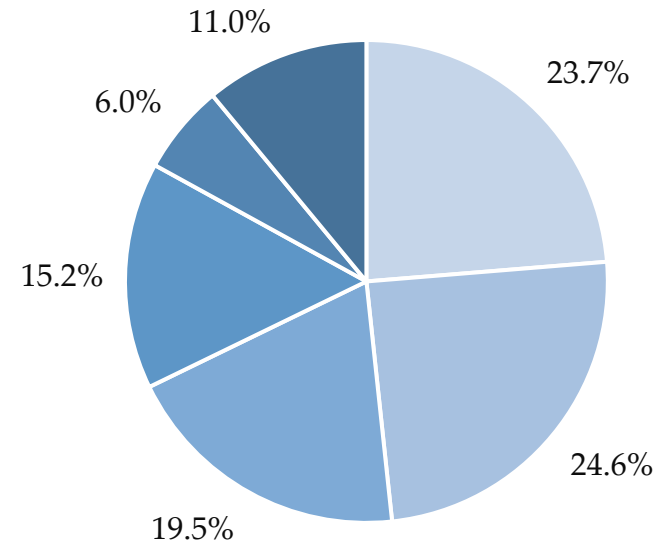
Consumer Segmentation



- 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

Car Wash & Auto Detailing Segmentation

Product and Services Segmentation



- Full-Service clean (conveyor car washes)
- Exterior clean only (conveyor)
- In-bay auto car washes
- Detailing Services
- Hand Washing services
- Self Service Bay

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
	Tucson, 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 202: \$584.9M ❑ 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
	Centennial, 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	84	<ul style="list-style-type: none"> ❑ Family-owned company founded in 1969 ❑ Services over 5M cars annually ❑ Operates throughout the southeast and employs 2,400 individuals ❑ Projected revenue in 2021: \$171.5M ❑ During pandemic, the company introduced an interior disinfectant service, utilizing an EPA-registered solution to eliminate viruses and bacteria

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	0.55x	1.03x	1.32x	1.55x
Enterprise Value/EBITDA	2.94x	3.27x	5.97x	9.80x
Enterprise Value/EBIT	4.29x	7.27x	12.20x	16.27x

RECENT PRIVATE TRANSACTIONS

Deal Date	Target Business Description	Deal Value	Net Sales	EBITDA	Operating Profit	Deal Value / EBITDA	Deal Value /
05/07/2021	Auto Car Wash	\$315,000	\$800,653	\$137,818	\$133,708	2.3x	0.39x
04/16/2021	Auto Detail Shop	\$200,000	\$540,937	\$58,904	\$32,810	3.4x	0.37x
11/19/2020	Car Wash Company	\$530,000	\$1,607,291	\$42,451	\$169,710	12.5x	0.33x
09/29/2020	Self-Service Car Wash	\$52,500	\$86,745	\$58,472	\$54,374	0.9x	0.61x
09/20/2020	Car Wash Company	\$52,500	\$86,745	\$58,505	\$58,505	0.9x	0.61x
07/31/2020	Car Wash Company	\$175,000	\$350,094	\$55,374	\$41,536	3.2x	0.50x
07/10/2020	Auto Detailing	\$245,000	\$187,367	\$25,010	\$21,638	9.8x	1.31x
05/30/2020	Auto Detailing Business	\$12,000	\$25,760	\$20,565	\$20,565	0.6x	0.47x
10/11/2019	Automotive Car Wash	\$250,000	\$937,990	\$76,384	\$46,600	3.3x	0.27x
04/30/2019	Automotive Washing Services	\$550,000	\$924,389	\$174,168	\$75,696	3.2x	0.60x
04/22/2019	Car Wash Company	\$1,114,750	\$1,064,182	\$78,004	\$61,750	14.3x	1.05x
01/18/2018	Mobile Truck Wash	\$1,600,000	\$1,592,547	\$543,839	\$534,875	2.9x	1.00x
01/05/2018	Car Wash Company	\$500,000	\$606,086	\$19,767	(\$23,622)	25.3x	0.83x
08/18/2017	Car Wash Company	\$240,000	\$409,536	\$78,707	\$64,653	3.1x	0.59x
06/01/2017	Self-Service Car Wash	\$70,000	\$157,553	\$8,786	\$4,802	8.0x	0.44x
05/31/2017	Car Wash and Detailing	\$2,300,000	\$1,184,247	\$353,405	\$55,408	6.5x	1.94x
03/01/2017	Franchised Detailing Company	\$197,500	\$456,000	\$105,600	\$99,300	1.9x	0.43x
05/20/2016	Express Car Wash	\$1,000,000	\$667,074	\$254,061	\$166,306	3.9x	1.50x
02/08/2016	Self Service Carwash	\$575,000	\$197,578	\$27,201	\$9,414	21.1x	2.91x
	Median	\$250,000	\$540,937	\$58,904	\$55,408	3.27x	0.60x

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 2021, Mr. Purdy interned with Graycliff Partners, a private equity located in New York, NY. He graduated from University of North Carolina Chapel Hill in 2021 with a BS in Political Science and a minor in Economics and Entrepreneurship.

Maxwell assists in leading the firm's corporate finance client coverage as well as private equity coverage.

Jake Hall **Analyst, Investment Banking**

Prior to joining Davidson Capital Advisors, Mr. Hall interned with Churchill Terry, a private equity firm located in Dallas, TX. He graduated from Southern Methodist University in 2021 with an MBA in Finance and Strategy.

Luke Habecker **Analyst, Investment Banking**

Prior to joining Davidson Capital Advisors, Mr. Habecker worked in Brokerage and Business development with Odyssey Specialized Logistics, a logistics firm located in Chicago, IL. He graduated from the University of North Carolina at Charlotte with a BS in Finance.

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Prior to joining Davidson Capital Advisors, Mr. Fernandez served as a board member for Radio Nueva Vida, a radio network chain operating in the Southeast. He graduated from the University of North Carolina at Charlotte in 2021 with a BS in Finance.

Luke Bitler
Analyst, Investment Banking

Prior to joining Davidson Capital Advisors, Mr. Bitler interned with Tiger Chark, a strategic advisory firm located in New York, NY. He graduated from the University of Virginia with a BS in Economics.