

Driven Brands Holdings Inc. (DRVN) Q1 2026 Earnings Call Transcript

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Q1: 2026-06-11 Earnings Summary

Insights



EPS of \$0.30 **beats by \$0.06** | Revenue of \$484.44M (-6.15% Y/Y) **beats by \$4.10M**

Driven Brands Holdings Inc. ([DRVN](#)) Q1 2026 Earnings Call June 11, 2026 8:30 AM EDT

Company Participants

Steve Alexander - Senior Director of Investor Relations

Daniel Rivera - President, CEO & Director

Michael Diamond - CFO & Executive VP

Conference Call Participants

Mark Jordan - Goldman Sachs Group, Inc., Research Division

Phillip Blee - William Blair & Company L.L.C., Research Division

Skylar Tennant - Morgan Stanley, Research Division

Michael Albanese - The Benchmark Company, LLC, Research Division

Craig Kennison - Robert W. Baird & Co. Incorporated, Research Division

Sarah Morin - Piper Sandler & Co., Research Division

Tristan Thomas-Martin - BMO Capital Markets Equity Research

Presentation

Operator

Thank you for standing by. My name is Gail, and I will be your conference operator today. At this time, I would like to welcome everyone to the Driven Brands First Quarter 2026 Earnings Call. [Operator Instructions]

I would now like to turn the conference over to Steve Alexander, Investor Relations. You may begin.

Steve Alexander

Senior Director of Investor Relations

Good morning. Welcome to Driven Brands First Quarter 2026 Earnings Conference Call. The earnings release and net leverage ratio reconciliation are available for download on our website at investors.drivenbrands.com. On the call with me today are Danny Rivera, President and Chief Executive Officer; and Mike Diamond, Executive Vice President and Chief Financial Officer. In a moment, Danny and Mike will walk you through our financial and operating performance for the quarter.

Before we begin our remarks, I would like to remind you that management will refer to certain non-GAAP financial measures. You can find the reconciliations to the most directly comparable GAAP financial measures on the company's Investor Relations website and in its filings with the Securities and Exchange Commission.

During this call, we will also make forward-looking statements regarding our current plans, beliefs and expectations. These statements are not guarantees of future performance and are subject to a number of risks and uncertainties and other factors that could cause actual results and events to differ materially from results and events contemplated by these forward-looking statements. Please see our earnings release and our filings with the Securities and Exchange Commission for more information.

Today's prepared remarks will be followed by a question-and-answer session. We ask that you limit yourself to one question and one follow-up. Now I'll turn the call over to Danny.

Daniel Rivera

President, CEO & Director

Good morning, and thank you for joining us to discuss Driven Brands' 2026 first quarter results. Q1 was a solid quarter for Driven as we continue to execute our growth and cash strategy. For the quarter, we grew system-wide sales 6%, revenue 8%, same-store sales 2% and adjusted EBITDA 2%, while delivering adjusted EBITDA margins of 21.5%. The quarter was highlighted by Take 5 Oil Change's 23rd consecutive quarter of same-store sales growth, improvement from our franchise segment and further progress reducing net leverage.

We remain focused on reducing net leverage and strengthening our financial foundation. Net leverage finished the quarter at 3.2x, and we remain on track to achieve our target of 3x by year-end. Our priority remains reaching that target first, after which we intend to provide investors with a clear framework for our long-term capital allocation priorities. We also continue to make progress enhancing our finance and accounting capabilities, strengthening processes and improving controls. While there is more work ahead, we are building a stronger and more scalable foundation to support the next chapter of growth at Driven Brands.

The automotive aftermarket remains one of the most resilient corners of the consumer economy. We continue to benefit from long-term industry trends, including an aging vehicle fleet, a growing car park, increasing vehicle complexity and consumers keeping vehicles longer. Overall, demand remains healthy across our businesses. Within Take 5, we are monitoring some moderation in traffic among newer customers and more value-oriented customers, particularly households earning less than \$50,000 annually or are facing greater pressure from inflation and higher living costs. However, our core customer base remains resilient, and we continue to see strong average check, healthy premium mix and solid attachment rates. The essential nature of our services, combined with secular industry tailwinds reinforces our confidence in the business.

Before turning to Take 5, I'd like to highlight an important investment we recently made to strengthen our management team and long-term capabilities. Bart LaCount has recently joined Driven Brands as our Chief Marketing Officer, a newly created position, demonstrating our commitment to building marketing into a core enterprise capability. Bart brings more than 20 years of marketing and brand-building experience from leading consumer brands, including PepsiCo and Restaurant Brands International, where he led marketing for Popeyes. We have centralized marketing leadership under Bart to build a more integrated, data-driven and scalable marketing organization that can accelerate growth, improve customer acquisition efficiency, strengthen customer retention and enhance the value of our brands.

Turning to Take 5 Oil Change. Take 5 delivered another strong quarter, growing system-wide sales 14%, revenue 10%, same-store sales 4.5%, 12.5% on a 2-year basis and adjusted EBITDA by 14%, while expanding margins year-over-year by 120 basis points, resulting in adjusted EBITDA margins of 33.9%. We believe Take 5's performance continues to reflect the strength of its differentiated customer experience. Our stay-in-your-car model, combined with a fast, friendly and simple service experience, continues to resonate with consumers. Strong operational execution, premiumization, increasing attachment rates and disciplined marketing further support customer acquisition, retention and profitable growth.

Take 5 also remains early in its growth journey with approximately 1,400 locations today and a path to more than 2,500 locations over time, we continue to see substantial white space opportunity ahead. Importantly, we also continue to see attractive unit level economics and returns on new store investments across both company and franchise development. Our Franchise segment once again delivered robust profitability, generating adjusted EBITDA margins of 60%, while growing same-store sales 1% during the quarter. Results continue to be led by Meineke with same-store sales for the segment sequentially improving from the fourth quarter.

We expect Franchise Brands to continue generating strong margins and cash flow throughout 2026, although we anticipate same-store sales for the segment to moderate from our first quarter results. Auto Glass Now also delivered a strong quarter, growing revenue 6%, same-store sales 7%, adjusted EBITDA 12% while expanding margins 40 basis points to 9.4%. We continue to see significant long-term growth opportunity as we expand carrier relationships, grow market share and leverage the scale we've built across the platform.

I'll close with 3 key takeaways. First, Take 5 continues to validate our long-term investment thesis. The business is delivering strong growth, expanding margins and remains early in its runway toward more than 2,500 locations. Second, we remain on track to achieve our target of 3x net leverage by year-end while continuing to strengthen the company's financial foundation. Third, we will remain disciplined allocators of capital and active managers of our portfolio, concentrating our resources on our highest growth, highest return opportunities to create long-term shareholder value.

Based on our first quarter performance, we are reiterating our full year 2026 guidance of revenue of \$1.95 billion to \$2.05 billion, adjusted EBITDA of \$430 million to \$460 million, same-store sales of flat to 2% and 160 to 190 net new units. I want to sincerely thank our team and our franchise partners for their continued commitment, execution and support.

With that, I'll turn it over to my partner and Driven CFO, Mike.

Michael Diamond

CFO & Executive VP

Thank you, Danny, and good morning, everyone. I want to begin with an update on our progress toward remediating the material weaknesses in our internal control over financial reporting. As a reminder, this is a multi-quarter process. However, our team has made meaningful early progress executing against detailed remediation work plans for each material weakness, and we remain committed to strengthening our control environment as we move forward.

Turning to our financial results. A reminder that with the divestiture of both our U.S. and international Car Wash businesses, the results for those businesses are included in discontinued operations and are not included in quarterly financial details provided today, unless otherwise noted. For Q1, Driven recorded same-store sales growth of 2.1% and added 29 net new units. System-wide sales for the company grew 5.8% in Q1 to \$1.6 billion. Total revenue for Q1 was \$484.4 million, an increase of 8.2% year-over-year. Q1 operating expenses increased \$24.1 million year-over-year, driven primarily by \$8.1 million in higher company-operated store expenses from higher sales in more stores and \$9.1 million in nonrecurring restatement costs, which were below our initial expectations.

Based on a detailed review of the timing of restatement work performed, we saw some restatement costs shift from Q1 to Q2 versus initial expectations. We still anticipate the full year nonrecurring restatement costs to be between \$35 million and \$45 million. SG&A for Q1 was \$131.8 million or 8.4% of system-wide sales. Excluding the Q1 restatement costs, SG&A declined \$1.9 million year-over-year and was 7.8% of system-wide sales, in line with our expectations as a growing multi-business platform with both franchise and company operations.

Q1 operating income increased \$12.7 million to \$67.4 million, driven primarily by the increase in revenue. Adjusted EBITDA increased 1.7% to \$104.1 million for the quarter. Adjusted EBITDA margin for Q1 was 21.5%, a decrease of roughly 140 basis points versus Q1 2025. Excluding restatement costs, adjusted EBITDA margin would have grown approximately 50 basis points. Interest expense declined \$12.8 million to \$23.5 million, driven primarily by ongoing debt paydown. Income tax expense for the quarter was \$9.4 million. Net income from continuing operations for the quarter was \$23.8 million. Adjusted net income from continuing operations for the quarter was \$49 million. Adjusted diluted EPS for Q1 was \$0.30.

Q1 performance for each of our segments include: Take 5 grew same-store sales 4.5% in Q1 and added 29 net new units in the quarter, continuing to execute against its pipeline of both franchise and corporate new units. Adjusted EBITDA grew 13.6% to \$109.5 million, driven by sales growth and the lapping of a roughly \$4.5 million inventory valuation charge in Q1 of 2025, stemming from our restatement. Adjusting for the inventory valuation charge, Take 5 adjusted EBITDA grew roughly 8.5%.

Franchise Brands reported a 0.9% increase in same-store sales. Revenue declined \$0.4 million, driven by the sale of our 2 remaining company-operated collision locations. Adjusted EBITDA was \$41.4 million in Q1, a decrease of \$1.5 million, driven by increased technology costs and select investments in people to drive future growth. Auto Glass Now reported same-store sales growth of 7.2% in Q1 as we saw sequential growth across our retail, commercial and insurance business. Adjusted EBITDA increased \$0.6 million to \$5.9 million.

Turning to cash flow and leverage. Our cash flow statement shows a consolidated view of cash flows, inclusive of discontinued operations. Net capital expenditures for Q1 were \$26.9 million, a decrease of \$32.2 million, primarily driven by the lapping of CapEx from our divested Car Wash businesses. Q1 free cash flow, defined as operating cash flow less net capital expenditures was \$30.3 million, an increase of \$13 million from Q1 2025. We ended the quarter at 3.2x net leverage and remain on track to achieve our target of 3x by year-end with strong cash flow generation.

Today, we are reiterating our full year 2026 outlook that was previously shared on May 19. As a reminder, we continue to expect revenue of \$1.95 billion to \$2.05 billion, adjusted EBITDA of \$430 million to \$460 million, which includes between \$35 million and \$45 million of estimated nonrecurring restatement costs that we do not intend to add back to adjusted EBITDA in 2026. Adjusted diluted EPS of \$1.15 to \$1.25, same-store sales of flat to 2%, net store growth between 160 and 190 units, net capital expenditures of approximately 6.5% of revenue, free cash flow between \$125 million and \$145 million.

As we approach the end of Q2, we want to provide a few notes on Q2 performance. Sales. We expect moderation across all of our brands in Q2. We expect Q2 Take 5 same-store sales growth in the mid-3% range, which would represent approximately 10% on a 2-year stack, reflecting the moderation from newer customers and lower income households. We expect Franchise Brands same-store sales to moderate as compared to the 0.9% growth in Q1, given the uneven nature of recovery for both Maaco and Collision. Restatement costs. We expect restatement costs to exceed \$15 million in Q2. The increase from Q1 is driven by a full 3 months of restatement work in the quarter, including the filing of both our 10-K and Q1 10-Q, work on our restated financials for our whole business securitization, ongoing remediation of our internal controls and associated legal costs.

Importantly, these costs are nonrecurring in nature and do not reflect the underlying earnings power of the business. Adjusted EBITDA. As a result, we expect adjusted EBITDA margins to be pressured relative to Q1's 21.5%. To summarize, we had solid Q1 with same-store sales growth across all 3 of our segments and grew adjusted EBITDA in Q1 despite nonrecurring restatement costs. However, we recognize the macro pressures consumers are facing and are appropriately cautious in Q2 given the top line moderation we are seeing across both Take 5 and Franchise Brands. Importantly, we remain on track to deliver our full year outlook, which was constructed to reflect a broad range of macro scenarios.

With that, I will now turn it over to the operator, and we are happy to take your questions.

Question-and-Answer Session

Operator

[Operator Instructions] Your first question comes from the line of Mark Jordan of Goldman Sachs.

Mark Jordan*Goldman Sachs Group, Inc., Research Division*

Can you just talk a little bit more about the moderation you're seeing in traffic from some of your customers? And I guess, how it's trending during 2Q? And if there's anything you can talk about in your other demographics outside of the new customers and the lower income customers?

Daniel Rivera*President, CEO & Director*

Yes. Mark, it's Danny. So yes, look, we continue to see a bit of moderation with 2 very specific groups of customers. So it's newer customers and more value-oriented customers. We mentioned this for the first time last earnings call a few weeks ago. Honestly, nothing's changed from a trends perspective. Things are pretty stable on that front. I think importantly, to the second half of your question, when we look at our core customer and when we look, frankly, across all other customer types, what we're seeing is resilience, right? So ultimately, check is up, attachment rates are up, premiumization is up. So I'd summarize it as, generally speaking, we're seeing a resilient consumer with a bit of moderation across 2 specific groups.

Mark Jordan*Goldman Sachs Group, Inc., Research Division*

Okay. Perfect. Then if I could just follow on, on the 1Q comp and maybe how it trended for Take 5 throughout the quarter? And I don't know if you'd be willing to give it, but how ticket and traffic contributed for the quarter as well?

Daniel Rivera*President, CEO & Director*

Yes. We typically don't break out the sales tree, and we don't go intracompany or intra-quarter numbers. But look, what I'd say is it was a solid start to the year for Take 5, right? So 4.5% comps for the quarter, 12.5% on a 2-year basis. We continue to see that business grow and do well. Ultimately, from an ARO and traffic perspective, like I said, we don't break it out. But I mean, look, the material gain there is really on the ARO side. We continue to see improvement in check, improvement in attachment rates. Our NPS scores remain in the high 70s. So not only are we delivering the services on the kind of check side of the equation, but we're doing so in a way where customers are happy. So strong start to the year for Take 5.

Operator

Your next question comes from the line of Phillip Blee of William Blair.

Phillip Blee

William Blair & Company L.L.C., Research Division

Question, so Franchise Brands comps inflected positive this quarter. Can you maybe talk a bit about how sustainable that is? And then what you're seeing more specifically in the Collision space? Have you seen any reprieve at all around now that insurance premiums are entering into a deflationary territory? And how you're thinking about maybe some pent-up demand in that segment or what could be the key unlock to really stabilize that segment going forward?

Daniel Rivera

President, CEO & Director

Yes. Phillip, a few different things. I'd say, to your point, like we're happy with a solid start to the quarter. 1% comps is good. As we reiterated in our prepared remarks, we're expecting some moderation for the segment towards the back half of the year. The underlying kind of story, so to speak, really hasn't changed a whole lot. So if you look underlying Franchise Brands, we've got 3 kind of main businesses. Maaco has been soft. It was soft tail end of last year. That softness has consisted or has persisted, so to speak, into Q1 of this year, although we are seeing a bit of improvement on the retail side of that business.

Meineke has been strong for some time now. That strength was evident in 2025, and that momentum has carried forward into Q1. The change really sequentially quarter-over-quarter was really Collision. So Q1, we saw the industry pick up a little bit from where it was in Q4. We continue to outperform the general industry anywhere between 100 to 300 basis points. That really hasn't changed into Q1, and we don't expect that to change here anytime soon. But as we look at the Collision industry for the entire year of 2026, what we're really expecting is a year of stabilization, not so much a year of bounce back.

So we expect the industry to moderate towards the back half of the year. And in turn, the overall then the segment will tend to moderate into the back half of the year. I always like to go back to -- so that's loosely speaking, how things are shaking out for Franchise Brands, but important to remember, for us, Franchise Brands is all about cash. So as we think about the framework of growth in cash, I love it when we post a 1% comp quarter, obviously. But at the end of the day, what I love more is 60% margins and irrespective of the moderation of the top line into the back half of the year, we continue to expect really strong margins from that segment.

Phillip Blee

William Blair & Company L.L.C., Research Division

Okay. Great. That's excellent. And then speaking of cash, so you reiterated your target to reach a 3x leverage point by year-end. So after you've hit your target, can you just talk a bit more about your plans for free cash flow? Are there areas of the business that you need to catch up or that maybe need a bit more investment, more debt paydown on the horizon? Or is there kind of some shareholder returns that you're thinking about?

Michael Diamond

CFO & Executive VP

Phil, this is Mike. I'll take that one. We have stated historically that we are continuing to evaluate our options once we get down to 3x. For now, the focus remains on getting to that important milestone. I'll respond to the one part of your question. I don't think there's any sort of deferred CapEx or anything we need to go into to catch up.

The good news is we have many different ways we can go. We have very high return predictable investments in our Take 5 infrastructure with opportunities to grow there. There's also a possibility of returning cash to shareholders. I think our debt is fixed rate and fairly low. So I'm not sure once we get to 3x, if there's a ton of appetite to delever significantly further, but it's something that we're obviously focused on right now. The main focus in the short term is getting down to that 3x. But in the background, we're working on what that plan is. And as we get closer to the end of the year, we'll be in a position to communicate.

Operator

Your next question comes from the line of Simeon Gutman of Morgan Stanley.

Skylar Tennant*Morgan Stanley, Research Division*

This is Skylar Tennant on for Simeon Gutman. First, on the trajectory of EBITDA margins for the rest of the year. Is there upside possibility? And what are some of the puts and takes that you're anticipating?

Michael Diamond*CFO & Executive VP*

Yes. I mean there's a couple of different things that go into that. Skylar, I would say, first of all, there's a little bit of seasonality in our business. And so if you think about Q2 and Q3 historically have a little bit more sales as that's peak driving season. That's going to be offset by some of our restatement costs. And so if you think about the commentary we gave on the prepared remarks, we expect restatement costs to be higher in Q2, just given the fact that it's a full 3 months. We've got obviously the K and the Q.

We've got whole business securitization financials. So there's a little bit of puts and takes. I think there is an ability to leverage off of our fixed costs, particularly as we move into Q3 and see higher sales in Q3 in what is a seasonally high time. But my job, our job is to make sure we get the restatement and the remediation plan right. And so we will spend the dollars necessary there to make sure we get that plan right. So that's -- I mean, that's a little bit of the yin and yang of that equation.

Skylar Tennant*Morgan Stanley, Research Division*

Okay. Great. And then given some of the softer trends you're seeing in traffic on the Take 5 side, can you talk about how you might be thinking about pricing and how much flexibility that you have there without necessarily impacting demand?

Daniel Rivera*President, CEO & Director*

Yes, I'll take that one. I mean, look, I think what you're getting at is promotional activity. The way that we've thought about promotions historically, I mean, look, we've never shied away from it. It's an arrow in the quiver, so to speak. It's something that we've used surgically over time, depending on certain use cases. When I think about some of the moderation that we're seeing right now, we're talking about moderation with 2 very specific groups of customers that are very readily identifiable.

That sounds like a use case where the arrow, so to speak, of surgical promotions tends to make sense. And so we will continue to use the tools at our disposal. I wouldn't take that as any kind of a broad shift in pricing strategy or anything like that. We don't go to market as a low-cost alternative or anything. So there's no strategic shift that we're contemplating, just using surgical promotional activities where it makes sense.

Operator

Your next question comes from the line of Mike Albanese of Benchmark StoneX.

Michael Albanese

The Benchmark Company, LLC, Research Division

Just excluding restatement costs and now that we're emerging with a cleaner portfolio and I guess, more sales visibility, do you see opportunities to reduce G&A? Or is your expectation more to lever it from here as you grow?

Michael Diamond

CFO & Executive VP

So I think I'd say a couple of things on SG&A. The first is I'd ground you on how we think about SG&A across our business. And we think the best metric for SG&A, particularly for a multi-business platform such as ours is as a percentage of system sales, right? And that -- we do that because that best normalizes for differences in ownership between company-operated and franchise as well as the different royalty rates we may receive across our different franchise portfolio.

And when you look at it through that lens and you exclude restatement costs, you actually -- it came down this quarter year-over-year. And so we think we're doing a decent job of managing that to help us support our growth. I think to the second part and probably the crux of your question, Danny and I will always try to operate as efficiently as possible while supporting future growth. And so I think there is absolutely an opportunity to continue to leverage the fixed costs we have as our various businesses continue to grow. And Danny and I will also challenge ourselves to make sure we're being as efficient as possible with the dollars we spend.

Michael Albanese

The Benchmark Company, LLC, Research Division

Got it. That's helpful. In terms of the metric percentage of system sales, do you want to put a figure behind that? Or can I kind of take the last quarter and run rate it? I mean, how can I think about quantifying that?

Michael Diamond

CFO & Executive VP

Yes. I mean I think we feel comfortable excluding restatement costs for where we are right now. That puts me roughly at 7.8% of system sales. There's obviously, as I mentioned, a little bit of seasonality as you think about it from Q2s and Q3s tend to have a little bit higher sales, and we still have fixed costs there. So I think for now, that's where we think we are. As I just mentioned, I think there's always opportunity to better leverage our fixed costs as well as try to continue to be more efficient.

Operator

Your next question comes from the line of Craig Kennison of Baird.

Craig Kennison

Robert W. Baird & Co. Incorporated, Research Division

I wanted to follow up on your earlier comments in the Collision market. I guess why do you expect trends to moderate in the second half? And is there anything you can do to capture more customer pay opportunities while the insurance side of the business is soft?

Daniel Rivera

President, CEO & Director

Craig. So it's a great question. I mean, look, I'll answer the second part first. We do, in fact, capture more customer pay. That's been a growing part of our business here. And we're uniquely positioned as Driven Brands. When you think about the Maaco side of the portfolio, if you have a customer that doesn't want to go to insurance, let's say, they get into like a light fender bender and they don't want to pay or risk their premiums going up or something like that, and they may want to come out of pocket, Maaco is a very real alternative there.

So Maaco features a lot of customer pay, frankly. So we're somewhat uniquely positioned to capture that side of the work. As far as why do we expect the moderation of the industry, that's just based on the data that we're seeing. We saw sequential improvement Q1 over Q4. But as we look at the data that's available, if we look at just what's happening with inflation in the country and some of the most recent numbers, our expectation, again, is that 2026 is a year of stabilization over 2025, not so much a bounce back year. And so we expect a bit of moderation going into the back half of the year.

Craig Kennison

Robert W. Baird & Co. Incorporated, Research Division

And do you have any ability to push harder on alternative parts in order to lower repair costs and maybe make a dent in that trend?

Daniel Rivera

President, CEO & Director

We do. I mean, look, one of the really nice things about our business compared to some of our competitors in that space is that we've got a franchise model. So we've got owner operators on the ground. Having owners on the ground covers all manner of sin and those folks are very cognizant of not just delivering an amazing experience for the customers and for our carriers, but also they're very cognizant of making sure that they're taking the appropriate steps to maximize profitability.

Operator

Your next question comes from the line of Peter Keith of Piper Sandler.

Sarah Morin

Piper Sandler & Co., Research Division

This is Sarah Morin on for Peter Keith. First, just regarding the CRM database, given the breadth of your customer data across the segments, what is the current strategy for utilizing the database as a marketing engine for Take 5?

Daniel Rivera

President, CEO & Director

Sarah, it's Danny. It's a great question. So I'd say, number one, part of the benefit of Driven Brands is we're a portfolio. We've got a nice platform and some of the services that we provide are at the platform level. So we have the benefit of we pool money together, we create a world-class capability. CRM happens to be one of those areas where we've got one CRM platform that's leveraged across all of the brands. So it's one of those areas where the synergies of Driven Brands tends to really shine, where some of our smaller brands probably wouldn't be able to on their own afford a solution like the one that we have in our CRM engine at the platform level.

We -- I mean, we've been using that engine for a long time now to drive frequency, to drive repeat business. It's different, obviously, by business. So we've got a collection of use cases, let's say, on the Take 5 side. Some of the more basic ones are going to be your typical oil change reminders, where we will remind customers that they're due for an oil change. We do have proprietary algorithms in that CRM engine as far as how we do those reminders, when we do those reminders, and it's not a one size fits all, but it's a fairly complicated set of algorithms to try to personalize that as much as possible. We've got different journeys on the Meineke side, let's say, we've got different journeys on the Maaco side. So the really neat thing is we have a very sophisticated platform that we leverage across all of the businesses.

Sarah Morin

Piper Sandler & Co., Research Division

Okay. And then just on the Collision segment, we're hearing of improved transaction activity, but industry ticket kind of remaining more flat. Is there any update you can provide on the Collision landscape?

Daniel Rivera

President, CEO & Director

I'm not sure that I can provide anything more than I've already provided. I mean, as I think about it, again, 2026, year of stabilization over 2025, sequential improvement Q1 over Q4. We expect the overall industry to moderate a bit into the back half of the year. Importantly, for us, we've historically outperformed the industry anywhere between 100 to 300 basis points. We continue to do so in Q1. We expect that to continue into the back half of the year. And given that Collision for us is part of our Franchise Brands segment, we expect to continue to see really strong margins on that side of the business, which is ultimately the important part, filling in the cash part of the growth in cash framework for Driven Brands.

Operator

Your next question comes from the line of Tristan Thomas-Martin of BMO Capital Markets.

Tristan Thomas-Martin

BMO Capital Markets Equity Research

I was just curious, you called out moderation of traffic, right, lower income and then newer customers. Is that just -- are they deferring oil changes? Or they may be trying to do it themselves? Any color there would be appreciated. And then just really quick, weakness on the under \$50,000 household income. How does that compare to your core customer? What's their household income?

Daniel Rivera

President, CEO & Director

So I guess a couple of different things there. We are calling out some moderation in traffic. I just want to be specific. It's specifically with those 2 groups of customers. As I mentioned a second ago, when we look at our core customer, which is going to have a higher household income, and I'm not going to get into a ton of specifics as to exactly where we price things at, but it's certainly more than \$50,000.

We're seeing overall resilience across the board in all groups other than really those 2 very specific groups. What we're seeing ultimately is a bit more churn out of those groups than anything else. So if the question is, are we seeing intervals go up? No. Oil change intervals have been stable for some time now. We haven't really seen any material change to oil change intervals for some time, and that's not what we're seeing today. This is not an elongation, so to speak, of when customers are coming in. What we're seeing is with 2 very specific types of customers, a bit more churn.

Operator

With no further questions, that concludes our Q&A session and also today's conference call. Thank you for your participation. You may now disconnect.

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