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Driven Brands Holdings Inc. (DRVN) Q2 2024 Earnings Call Transcript

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Q2: 2024-08-01 Earnings Summary

[Play Call](#)[🔊 Press Release](#)EPS of \$0.35 **beats by \$0.07** | Revenue of \$611.57M (0.78% Y/Y) **misses by \$17.46M**

Driven Brands Holdings Inc. (NASDAQ:[DRVN](#)) Q2 2024 Earnings Conference Call August 1, 2024 8:30 AM ET

Company Participants

Jonathan Fitzpatrick - President and CEO

Danny Rivera - EVP and COO

Joel Arnao - SVP & Interim CFO

Chris Thompson - Senior Director, Treasury, and IR

Conference Call Participants

Simeon Gutman - Morgan Stanley
Justin Kleber - Robert W. Baird
Robby Ohmes - Bank of America
Seth Sigman - Barclays
Madison Callinan - Canaccord Genuity
Christian Carlino - J.P. Morgan
Peter Keith - Piper Sandler
Sabrina Baxamusa - William Blair
William Staudinger - BMO Capital Markets

Operator

Good morning, ladies and gentlemen, and welcome to the Driven Brands Inc. Q2 2024 earnings call. [Operator instructions]. This call is being recorded on August 1, 2024. I would now like to turn the conference over to Mr. Chris Thompson, Senior Director of Treasury and Investor Relations. Please go ahead.

Chris Thompson

Good morning, and welcome to Driven Brands' second quarter 2024 earnings conference call. The earnings release and the leverage ratio reconciliation are available for download on our website at [investors.Drivenbrands.com](https://investors.drivenbrands.com). On the call with me today are Jonathan Fitzpatrick, President and Chief Executive Officer, Danny Rivera, Executive Vice President and Chief Operating Officer, and Joel Arnao, Senior Vice President and Interim Chief Financial Officer. In a moment, Jonathan, Danny, and Joel, will walk you through our financial and operating performance for the quarter.

Before we begin our remarks, I'd 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 the course of this call, we may also make forward-looking statements in regards to 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 up by a question-and-answer session. We ask you to limit yourself to one question and one follow-up. Now, I'll turn it over to Jonathan.

Jonathan Fitzpatrick

Good morning. We appreciate everyone joining us today to discuss Driven Brands second quarter 2024 financial results. To begin, I want to acknowledge the hard work and strong execution by our more than 10,000 Driven Brands team members and their amazing franchisees for how they continue to navigate an extremely dynamic macroeconomic environment. After a very thorough national search, I'm delighted to announce that Mike Diamond has joined Driven as our CFO. Although Mike will officially start in a couple of weeks, he is here with me today. Mike has a terrific background in multi-unit businesses, and was most recently CFO at the Michaels Companies. And you can read about Mike's background in our earnings release. We're super excited to have him join the team. I also want to take a moment to recognize and thank Joel Arnao, our Senior Vice President of Finance, who has done such a terrific job as interim CFO over this past quarter.

My focus continues to be on delivering our outlook for 2024, and using excess free cash flow to pay down debt with a year-end target of less than 4.5x levered and a year-end 2026 target of less than 3x. And finally, active portfolio management. I will start with a review of some of our second quarter 2024 highlights and corporate initiatives, and then turn it over to Danny, who will discuss our operating segments, and then Joel, who will detail our second quarter financial results and full-year outlook. For Q2 2024, we delivered revenue of \$612 million, up 1% versus the prior year, supported by 115 net new stores and 0.5% same-store sales growth, our 14th consecutive quarter of positive same-store sales growth, and adjusted EBITDA of \$152.2 million, resulting in diluted adjusted EPS of \$0.35. We continue to be pleased by the performance of our Take 5 Oil Change and franchise businesses, all being key contributors to a solid Q2 2024. And it is worth noting that on a two-year basis, Driven delivered 8.1% same-store sales growth. Our PC&G segment, which represents more than 50% of that comp, delivered a two-year comp of 11.7%. And Take 5 Oil Change, our biggest and fastest-growing business, delivered a two-year comp of 23.5%. Now, as I mentioned on Q1 earnings call, we still believe that the ongoing inflationary environment will likely continue to pressure consumer spending throughout the balance of 2024, and that lower income households will be the most impacted. We saw that it impacted our Q2 results, and we are taking this into account in our updated expectations. Now, we believe that this pressure will be somewhat offset by strength in our commercial business and our needs-based businesses. We remain focused on delivering our 2024 outlook despite this ongoing consumer uncertainty. Joel will provide more details on our 2024 outlook shortly.

I'd now like to spend a few minutes on some key corporate initiatives. We began the migration to our new ERP platform at the start of Q3. And so far, we're pleased with the progress of the implementation. This is testament to the hard work and extensive preparation from the entire team, led by our Chief Information Officer, Karen Conrad. The team is continuing to make good progress on divesting U.S. Car Wash pipeline properties. In Q1, we received approximately \$33 million of proceeds. And in Q2, we received an incremental approximate \$66 million, for a total of approximately \$100 million. Year-to-date, we are now at \$107 million of proceeds. Our previous target was at least \$100 million for fiscal 2024. Now that we've achieved that, we're confident in delivering at least another \$50 million in U.S. Car Wash divestitures in the second half of 2024. Now, as I previously mentioned, reducing our overall leverage is one of my primary objectives. Our goal is to finish the year at less than 4.5x. While we saw a moderate reduction from Q1 to Q2, we remain on target to achieve our goal by the end of 2024, and will continue to focus on paying down debt towards our long-term target of less than 3x levered by year-end 2026. I'm pleased to report that we successfully refinanced \$258 million of WBS notes, which were coming due in April 2025, by issuing new \$275 million seven-year notes, essentially leverage-neutral. We also increased our liquidity through the addition of \$400 million of variable funding notes, which replaced our \$115 million variable funding notes from 2019. Our variable funding notes remain fully undrawn. Our debt stack is comprised of approximately 80% WBS notes, with a blended fixed rate of 4.5% and a weighted average maturity of 3.6 years. There are no maturities coming due until Q2 2026.

Now, let me spend a few minutes on our growth priorities, Take 5 Oil Change, Auto Glass Now, and Driven Advantage. Take 5 continues to deliver very strong results. Q2 2024 marks the 16th consecutive quarter of positive same-store sales growth. Revenue grew by 16% and EBITDA grew by 22% compared to Q2 2023. Additionally, Mo Khalid and the team grew margins by approximately 170 basis points over Q1. The team remains focused on executing the Take 5 playbook to drive sales while maintaining strong operational efficiency and satisfied customers, manifested in our net promoter score of 77%. Take 5 Oil Change has seen robust unit growth, adding 68 new units year-to-date, a majority of which are asset-light franchises. We also expect to add approximately 100 additional stores in the second half. At the end of the quarter, 37% of Take 5 stores are franchised. Over a two-year period, our franchise store count has almost doubled, and we anticipate franchisees to account for approximately 50% of total locations over time. Our unit economics continue to attract new franchisees and drive our existing franchisees to sign new development agreements. Now, looking at the last eight quarters for Take 5 Oil Change, some KPIs measured on a two-year CAGR include; franchise unit growth of 39.9%, company unit growth of 10.1%, for a combined unit growth of 18.8%, system-wide sales growth of 24.8%, and net revenue growth of 20.3%. In summary, very strong performance across all metrics.

Now, switching to our US glass business, Auto Glass Now. We remain excited about the medium- and longer-term prospects for this business, and know that it will take time to build scale and momentum. Earning insurance and commercial business can take time, and we want to do it right because of the importance of long-term sustainable partnerships. Now, revenue for AGN is blended approximately one-third retail, one-third commercial, and one-third insurance. And over time, we expect to grow the commercial and insurance revenue faster than our retail business. So, let's start with our retail customers. These are typically out-of-pocket pay with an average check of approximately \$300. Now, in order to capture additional retail revenue, we rolled out the online estimator in late Q2, allowing customers to avoid coming to the shops for quotes, and we are very pleased with the early adoption rates. Next are commercial customers who are owners and managers of large fleets of vehicles. The average check is approximately \$400, with a calibration attachment rate of approximately 31%. We're pleased to have signed contracts with two major national car rental companies in Q2, and we'll start seeing that volume materialize in the second half of 2024. Finally, our insurance customers have an average check of approximately \$650 and calibration attachment rate of approximately 42%. I'm also pleased to report that we finalized six new agreements with regional partners in Q2. And this volume will start flowing in the second half of 2024. We also have a growing pipeline of regional and national carriers and are currently in multiple RFPs. The momentum and interest continue to build with carriers, presenting increasing medium and long-term opportunities. And as I have mentioned multiple times over the past several quarters, it will take time to build this business. However, we remain very optimistic about the future of this nascent category.

Driven Advantage is our online marketplace where our company stores, franchisees, and affiliates can purchase over 90,000 SKUs from more than 50 vendor partners, ranging from office supplies to paint, oil, and equipment. Since its launch in Q1 2023, Approximately 80% of eligible locations have already begun purchasing products and services on the platform. While the majority of revenue and contribution benefits from Driven Advantage show up in our operating segments, some highlights from the first half of 2024 include, we've added 1,500 customers in the first half of 2024, almost entirely from our franchisees and affiliates. Sales in the first half of 2024 were up approximately \$170 million, up from \$70 million in the first half of 2023. We launched new capabilities to further increase sales, like automatic reordering, vendor promotions, and are now generating advertising revenue from our vendor partners. We also see a growing interest in the industry as more third parties see the platform, both from automotive suppliers looking to sell on Driven Advantage, and from other automotive companies looking to use Driven Advantage at their own locations. This is a uniquely powerful platform that we have created that benefits our franchisees, company stores, vendor partners, and Driven. Now, my focus in 2024 again is on delivering our outlook, reducing debt, and actively managing the portfolio. We have a platform that generates high steady-state returns with a long runway for reinvestment at attractive returns. And we're incredibly motivated to see our valuation mirror our results over time.

Now, let me hand it over to my partner, Danny, our Chief Operating Officer, to discuss our key business segments.

Danny Rivera

Thanks, Jonathan. Before diving into our results, I want to acknowledge our Driven employees and franchisees who embody our model of dream big, work hard, and continue to deliver results for our shareholders and our brand leaders. While the team here works to strategically position Driven for future growth, Driven's success is ultimately defined by the boots on the ground employees and franchisees at our more than 5,000 locations who work tirelessly to delight our customers. I'd like to begin by restating that my priorities for 2024 remain unchanged, ensure Take 5 continues to deliver against our (indiscernible), improve the trajectory of Auto Glass Now and our U.S. Car Wash business, continue to grow Driven Advantage, and make certain that our legacy franchise brands generate consistent growth that continues to produce EBITDA margins in excess of 50%.

Turning to our Q2 results, I am happy with the results the team delivered. We achieved year-over-year growth in revenue, adjusted EBITDA, and adjusted EBITDA margin, while continuing our streak of 14 straight quarters of positive same-store sales. Take 5 continues to deliver against our expectations and is the major driver of our revenue and adjusted EBITDA growth in Q2. Our B2B channel also remains strong, with consistent, steady, and predictable business from our commercial and insurance partners. As a reminder, about 50% of our system-wide sales come from commercial B2B customers. While Auto Glass Now and our U.S. Car Wash business are not yet fully firing on all cylinders, the businesses are steadily moving in the right direction. Both businesses saw sequential growth in revenue and adjusted EBITDA for the past two quarters. Our legacy franchise brands like Meineke, Maaco, CARSTAR, and 1-800-Radiator, all continue to steadily perform and drive adjusted EBITDA margins in excess of 50%.

Turning now to our Maintenance segment, which had year-over-year and sequential increases in system-wide sales, revenue, adjusted EBITDA, and adjusted EBITDA margin. Performance in our Maintenance segment continues to be driven by the strength of Take 5 Oil Change. In Q2 versus the prior year, Take 5 achieved a 15.6% increase in revenue and a 22.3% increase in adjusted EBITDA, while adjusted EBITDA margin expanded 191 basis points. In the quarter, we opened 40 units, split between 15 company-owned and 25 franchised. Over the past 12 months, we have grown the number of Take 5 units by about 20% and remain on track for our target of 150 openings each year for the next three years. Additionally, we achieved positive same-store sales of 5.7%, resulting in a two-year same-store sales stack of 23.5%. This business continues to grow sales through natural ticket growth in premium oil and our low-pressure selling environment. In the quarter, we achieved a record premium mix and continue to see year-over-year growth in ancillary attachment rates. Mo Khalid, president of Take 5, and the team continue to deliver strong financial results, while simultaneously delighting our customers with NPS scores in the upper 70s.

Looking to our PC&G segment, Q2 delivered revenue of \$112 million, adjusted EBITDA of \$35 million, and adjusted EBITDA margin of 31.4%, all of which represents sequential improvements versus the prior quarter. Q2 same-store sales were down 0.5%. However, our two-year same-store sales stack is 11.7%, demonstrating strong and consistent execution. The softness in revenue is mostly due to the re-franchising of 12 company-owned locations and comping over a record quarter in 2023 caused by hailstorms that disproportionately grew our business. Moving over to Auto Glass Now, our company-owned North American glass business. As we've previously stated, Auto Glass Now is a multi-year journey. That being said, I'm happy with the progress and momentum the team is building. In Q2, we sequentially grew revenue and adjusted EBITDA while seeing meaningful margin expansion. As part of our growth strategy, we continue to focus on signing insurance carriers as well as major commercial partners. In just Q2, Auto Glass Now added six regional insurance carriers to its portfolio while also signing agreements with two national rental car providers. We remain bullish on this business and industry, and feel good about the momentum and sequential improvements Michael Macaluso and the team are delivering.

Shifting to our Platform Services segment, this segment continues to deliver year-over-year growth, as revenue and adjusted EBITDA increased 6.8% and 12.4%, respectively, while adjusted EBITDA margins increased 206 basis points to 41.3%. As Jonathan mentioned, Driven Advantage, our in-house procurement platform, continues to grow as well. This quarter, we saw a total of \$89 million in sales go through the platform, which represents sequential growth of 14%. This growth is Driven by the expansion of our offerings and continued adoption from our franchisees, with approximately 80% of all eligible franchisees using the platform. Many thanks to Kyle Marshall and his team for the continued strong performance.

Lastly, I would like to discuss our Car Wash segment. We continue to work hard to turn this segment around, and continue to see progress and momentum. In the quarter, we sequentially grew revenue and adjusted EBITDA by 8.4% and 15.9%, respectively, while also growing adjusted EBITDA margins by 139 basis points. Q2 presented some strong headwinds, particularly for our U.S. Car Wash business, with 44% of the calendar days in the quarter experiencing heavy rain. We were able to overcome some of these headwinds with our continued focus on membership. As I've mentioned before, Tim Austin and our U.S. Car Wash team, remain extremely focused on growing our membership business, and we've seen significant improvement throughout the year. Year-to-date, we've nearly tripled our conversion rate of retail customers to members, and have added over 200,000 new members. Our international Car Wash business, led by Tracy Gehlan, delivered sequential margin expansion and continues to deliver solid financial results across the board.

Overall, I am pleased with the progress that we made this quarter, particularly considering the softer consumer environment. We delivered another strong quarter, with year-over-year growth in same-store sales, revenue, EBITDA, and EBITDA margins. When it comes to our business priorities, Take 5 Oil Change continues to deliver exceptional results. Auto Glass Now and U.S. Car Wash continue to show sequential momentum. Driven Advantage continues to grow and is on track to deliver our 2026 EBITDA plans, and our legacy franchise businesses continue to predictably grow and generate cash. I'd once again like to thank the thousands of employees and franchisees that worked hard to put together a strong quarter.

With that, I will turn it over to my partner, Joel.

Joel Arnao

Thanks, Danny, and good morning, everyone. I'd like to start by thanking Jonathan, Danny, and the entire Driven Brands team for their support the past three months. It's been an incredible opportunity to lead the Driven Brands finance team. I am extremely proud of what we have accomplished this quarter. In addition, I've had the opportunity to meet with Mike several times, and I am confident that he will be a great addition to the team. I'm looking forward to working with him to deliver strong results in 2024 and beyond. First, I will discuss second quarter results before moving on to the full-year outlook. On a consolidated basis, we delivered our 14th straight quarter of positive same-store sales. Our system-wide sales reached \$1.7 billion, representing a 0.6% increase from the previous year. This growth was driven by a 0.5% increase in same-store sales and 2% net store growth. Total revenue for the quarter increased 0.8% to \$611.6 million, and adjusted EBITDA increased 4% to \$152.2 million. Adjusted EBITDA margin increased 77 basis points to 24.9%, primarily Driven by margin improvement in maintenance.

Now, I will discuss performance at each of our segments. In our Maintenance segment, system-wide sales increased 10.5% to \$535 million, driven by a 4.3% increase in same-store sales and 159 new store openings versus the second quarter 2023. Take 5's continued sales execution, including same-store sales of 5.7%, were underscored by record premium oil mix of approximately 90% and year-over-year improvement in attachment rates. We added 40 net new Take 5 oil chain stores during the quarter, with 25 franchise and 15 company-owned stores. The Maintenance segment sales growth, coupled with disciplined operational improvements, led to a 21.4% increase in adjusted EBITDA to \$102.9 million. Adjusted EBITDA margin expanded 203 basis points to 37%, driven primarily by Take 5 Oil Change. In our Car Wash segment, same-store sales declined 4.1% due to retail softness and inclement weather in our U.S. Car Wash business. For the quarter, sales were \$156.9 million, and adjusted EBITDA was \$33.8 million. Although the decrease in revenue and adjusted EBITDA versus Q2 2023 was driven by our U.S. Car Wash operations, we saw comp trends improve sequentially quarter-over-quarter due to our new membership pricing strategy. As Danny mentioned earlier, year-to-date, our membership count grew by over 200,000 new members. In our PC&G segment, system-wide sales were \$862.2 million, a decrease of 3.4% versus the prior year period. Same-store sales declined 0.5%. Revenue for the segment was \$112 million, and adjusted EBITDA was \$35.2 million, a decrease of 15.9%, and 14.3%, respectively. These results were primarily driven by our Collision business. The decrease in same-store sales was driven by two main factors, lapping Q2 2023 hailstorms, and 2024 industry softness. The decrease in revenue was additionally impacted by re-franchising of 12 company-owned locations, which lowered revenue by approximately \$13 million and adjusted EBITDA by approximately \$2 million. In our Platform Services segment, sales grew 6.8% to \$61.2 million, and adjusted EBITDA increased 12.4% to \$25.3 million. Adjusted EBITDA margin increased 206 basis points to 41.3%, which was due to improved variable cost management.

Now, I will focus on key components below adjusted EBITDA. Depreciation and amortization expenses totaled \$45 million for the quarter, reflecting a \$1 million decrease from the prior year, as we dispose of our U.S. Car Wash assets held for sale. Interest expense declined to \$32 million, primarily due to a one-time reduction in the estimated interest on our tax receivable agreement liability, and improved interest rates on our cash deposits. Net income for the second quarter was \$30.2 million versus \$37.7 million in Q2 2023. Adjusted net income was \$58 million for the quarter, resulting in an adjusted diluted EPS for the quarter of \$0.35. both are up versus prior due to strong EBITDA growth and continued debt reduction.

At the end of the second quarter, we have \$316 million in liquidity, comprised of \$149 million in cash and cash equivalents, along with \$167 million of undrawn capacity under our variable funding securitization senior notes, and a revolving credit facility. On Monday, we closed an offering of \$275 million in series 2024 class A2 senior notes to refinance our series 2018-1 class A2 senior notes. In conjunction with these notes, we increased our total variable funding note capacity to over \$500 million. As a reminder, our debt stack is comprised of approximately 80% whole business securitization notes, with a blended fixed rate of 4.5% and a weighted average maturity of 3.6 years. There are no maturities coming due until Q2 2026.

Throughout the quarter, we continued to make meaningful progress paying down our credit facilities. In addition to a \$25 billion reduction on our drawn revolver balance, we chose to make a \$20 million prepayment to our term loan principal balance to reduce our higher interest rate debt. As of Q2, we paid down \$80 million of principal across our revolver and term loan from our inter-quarter peak in Q1. But we haven't stopped there. In July, we were able to make another \$20 million of optional prepayments to our term loan principal balance, and expect to build on this momentum in the second half of the year, as we focus on getting our net leverage below 4.5x. At the end of the quarter, our net leverage ratio improved sequentially from the prior quarter. As of Q2 2024, our net leverage was 4.8x, down from 4.9x in Q1, and 5x at the end of 2023. We plan to continue to delever throughout the year, thanks to improved cash flow from organic adjusted EBITDA growth and proceeds from the sale of U.S. Car Wash pipeline sites. In the second quarter, we generated \$66 million of assets held for sale, bringing our total through Q2 to \$100 million. As Jonathan mentioned, year-to-date, we have sold \$107 million in assets held for sale, and expect to sell an additional \$50 million in 2024.

Now, I will provide a brief update on our ERP implementation. I'm happy to share that our new ERP system went live in July. We are taking an incremental approach to the implementation, and will continue to shift our brands onto the new system. Now, I would like to update our full-year outlook. Based primarily on continued softness in the U.S. Car Wash business, collision industry trends, and macroeconomic uncertainty, we are adjusting our same-store sales growth outlook for the year to 1% to 3% from 3% to 5%. We also expect to come in at the lower end of our original revenue outlook of \$2.35 billion to \$2.45 billion. Maintenance and Platform Services segments drove adjusted EBITDA growth through the first half of 2024. We expect these trends to continue in the back half of 2024, along with moderate improvement in our other segments. For the full year, we now expect adjusted EBITDA to come in at the mid to upper end of the original range of \$535 million to \$565 million. We expect adjusted diluted EPS to come in at the higher end of our original range of \$0.88 to \$1. We are reaffirming our original outlook, a net store growth of approximately 205 to 220 stores during the year. We continue to expect depreciation and amortization expenses of approximately \$175 million, and interest expenses of approximately \$170 million. Our effective tax rate is expected to be approximately 35% in 2024, which is in line with our 2022 effective tax rate. We continue to expect gross capital investments to be approximately \$260 million for the full year, with approximately \$40 million of sale leasebacks. This results in net CapEx of approximately \$220 million. For the rest of the year, as Jonathan mentioned before, we are focused on generating free cash flow and reducing debt. We continue to expect net leverage to be below 4.5x by year-end. Now, I would like to provide more color on the third quarter. We expect our third quarter year-over-year revenue growth to be in the low single digits, and our adjusted EBITDA growth to be in the low double digits.

Now, I will turn it back over to the operator.

Question-and-Answer Session

Operator

[Operator Instructions] Our first question is from Simeon Gutman from Morgan Stanley.

Simeon Gutman

Good morning, everyone. I wanted to ask and start with Car Wash. It's about 20-ish, 20% to 25% of EBITDA. Curious what your thoughts are. It's been a long and winding road. It seems like it's stabilizing a bit. Wonder how strategic it is to the overall portfolio and EBITDA growth going forward.

Jonathan Fitzpatrick

Hi Simeon, Jonathan here. Good question. I think a couple of things. One is, we're retaining the position from the Investor Day that we're not deploying incremental growth capital into that business. I'm very pleased with the progress that Tim Austin, our Car Wash president, and Danny, have done in sort of stabilizing that business, and we're starting to see sequential growth. I've also mentioned that we are still in the process of evaluating the long-term sustainability of that Car Wash asset within our portfolio. We're not there yet in terms of a decision that we're willing to make publicly, but again, we're pleased with the stabilization that Danny and Tim have made on the business in 2024.

Simeon Gutman

Okay. And then switching to maintenance, I guess two parts, the margins are exploding positively. Maybe I missed the commentary on what's helping to drive that, while the Take 5 looks like slowed a little bit sequentially, maybe chalked up. Again, I may have missed some commentary, but what was the culprit? Was it temporal weather, et cetera?

Jonathan Fitzpatrick

Yes, look, I think Mo Khalid and the Take 5 team are doing an exceptional job on margin expansion. I think there's multiple things driving that, Simeon. One is just great operational efficiency, continuing to drive premium oil mix, attachment rates, which are all margin-accretive, We've obviously got more franchise stores joining the mix as well, which obviously helps leverage. In terms of your comment around Q1 to Q2 sequential same-store sales, there's really a de minimis move. We don't see any trajectory change in that business, and are still very confident in the full-year outlook for a Take 5 all change.

Simeon Gutman

Okay. Thanks. Good luck.

Operator

Next question will be coming from Justin Kleber from Baird.

Justin Kleber

Hey, guys. Good morning. Thanks for taking the question. Just first one was on Car Wash and the test you talked about last quarter where you dropped the subscription price to be in line with the single wash. Curious if you're operating with that pricing structure across the chain today. Have you seen any response, competitive response from those actions? And then just longer-term, your view on this pricing strategy. Is it sustainable or would you expect over time to reestablish a gap between subscription and retail?

Danny Rivera

Hey, Justin, this is Danny. Thanks for the question. So, the short answer is yes, we've deployed that pricing strategy across the country. As I mentioned in my prepared remarks, we're really happy with the results we're seeing. We've tripled our conversion rate. We've added 200,000 members year-to-date to members. So, it's working exactly as we'd hoped. We're not seeing any response to what we're doing in any kind of scaled or meaningful way. As far as how long will we deploy a strategy like this, I'd say look, for the short to medium term, this makes a lot of sense for us. We want to grow our membership base. It hedges against the natural sensitivity to weather in this business, and overall, it'll be margin-accretive to us as we keep our fixed costs in place and we continue to grow our membership revenue. So, our strategy is working exactly as we'd hoped, and we think it'll continue to add financial benefits in the back half of the year.

Justin Kleber

Great. Thanks for that, Danny. And then just a question on the glass business. Jonathan, you talked about the six, I think it was six regional insurance carriers and two rental car company contracts. Can you frame, I guess, how many insurance and rental company contracts are out there as potential AGN customers, and maybe where you stand today from a penetration standpoint on commercial and insurance relative to kind of the end goal for that business? Thanks, guys.

Jonathan Fitzpatrick

Yes, I'll do my best to frame that a little bit for you, Justin. The rental car business nationally is quite concentrated with very familiar names, and we're very pleased with the work that the team done, which is to get two of those names added to our portfolio of AGN. In terms of the - and there's continued growth we expect in the future across multiple commercial lines, not just rental, but we think about commercial customers and then fleet management customers. So, there's multiple layers within that commercial sector. Within regional insurance, very pleased with the signing of those six contracts, six regional contracts in Q2. Once we sign, we then have to activate those contracts and then sort of bleed that revenue in over the course of the back half of the year. To put in perspective, there's approximately 300 regional insurance - sorry, over 3,000 regional insurance carriers out there. And so, this is just the tip of the iceberg. So, we feel good about the momentum we're building. Again, I would just point to, we're early in the innings of building that business. We think it's going to be a phenomenal business for us over time, but very pleased with the progress that we're making so far in 2024.

Justin Kleber

Got it. Thanks for that color and best of luck in 3Q.

Operator

Next question will be coming from Robby Ohmes with Bank of America.

Robby Ohmes

Oh, thanks for taking my question. My question is on PCG. And I was wondering if you guys could give a little more color and commentary on how you're thinking about the back half and what the headwinds have been there, and any - when you think the headwinds, whether it's a big-ticket deferrals or what's happening in that space, and when we can see a return to growth in EBITDA there?

Jonathan Fitzpatrick

Yes, thanks, Robbie. I'll start and Danny or Joel may actually jump in on top. But when we look at the little bit of softness that we've seen in really the second half, sorry, the second quarter in PC&G, I would say that's primarily ring-fenced around the U.S. Collision, which is our 100% franchise business. Some of that softness can be attributed to industry-wide claims year-to-date are down mid-single digits. However, Driven's claims are down low single digits. So, we look at that as outperforming the broader market. The second factor is that used car pricing has returned to more normal levels, increasing the frequency of total losses. That being said, we look at the Collision tailwinds as dissipating in the back half of the year. So, I think that's a fairly sort of short-term headwinds that we have there. So, I'll stop there.

Robby Ohmes

And then maybe just a follow-up, can we get an update on cost pressures across your businesses? Has the wage outlook improved from here? Are there any cost pressures alleviating that could support better EBITDA growth in the back half?

Jonathan Fitzpatrick

Yes, I think no major trajectory changes, Robbie. I mean, I think the labor environment has certainly sort of settled down compared to two, three, four quarters ago. Our input costs in terms of cost of goods are generally - we've got good visibility in there. So, we don't see any major moderation, but we don't see any likely increase in pricing there. So, it feels like the back half of the year will be pretty similar to the first half in terms of just overall costs.

Robby Ohmes

Terrific. Thanks so much.

Operator

The next question will be coming from Seth Sigman from Barclays.

Seth Sigman

Great. Good morning, everyone. Nice progress in the quarter. I wanted to talk a little bit about the guidance. So, you narrowed the EBITDA guidance to the high end of the range, which is nice to see. Can you just elaborate on what's implied here for the second half of the year, maybe some of the underlying assumptions? Because if I recall, you previously assumed that most of the EBITDA growth, I think 80% of the EBITDA growth, was going to come in the second half of the year. It seems like first half came in better. You're not really raising the second half. But then you also talked, if I caught this right, low double-digit EBITDA growth in Q3. So, maybe just help us understand some of the assumptions in there. That would be a good start. Thanks.

Joel Arnao

Hey, Seth, this is Joel. I'll just reaffirm what we said earlier in my script. Continued growth in the back half of the year in maintenance and PC, or sorry, in Platform Services, and we'll expect to see some improvement from our other segments, Car Wash and PC&G, kind of from the year-over-year comparison basis. We're going to still see 80% of our growth in the back half of the year. So, it's consistent with what we've messaged in Q4 and in Q1, but feel good about the outlook that we gave earlier.

Seth Sigman

Got it. Okay. And then I guess just one follow-up question on glass. I mean, if you could maybe spend a minute on the infrastructure that's been put in place here. Just help us understand exactly the timing of that, and how would you categorize the second quarter for this segment? It seems like it was still a transition period, so we haven't seen the full potential yet, but is there a way to frame how that part of the segment accelerates in the back half of the year? I think that would be helpful. Thanks.

Joel Arnao

Yes, Seth, we typically don't give any sort of sub-segment guidance, but I would say - I would sort of point you to two things. One is that this is a long-term play for us, and we're in the early innings, and we are making great progress. Mike Macaluso, who's running that business, has got all the necessary people, process, and systems in place to now focus on growing revenue and generating really solid margins there. So, I think, again, like I said on Q1, and I'll reiterate again today, this is about future growth and future profits in the business, but it will take time, and we're pretty pleased with the progress so far in 2024.

Operator

Our next question will be coming from Brian McNamara from Canaccord Genuity.

Madison Callinan

Good morning. This is Madison Callinan on for Brian. Thanks for taking our question. So, year-to-date, you have \$9.8 million of consulting fees for strategic transformation initiatives. We're curious if this is related to any plans to try and sell or monetize Car Wash assets as a way to hasten the deleveraging process. Thanks.

Jonathan Fitzpatrick

Thanks, Madison, and good question. And I remain committed to active portfolio management in the organization. I think it's important that if and when we announce something publicly that we're very comfortable with the potential impact to our employees, to obviously our investors, and to any potential processes or hypothetical processes that we could be running. So, just because we haven't announced anything, doesn't mean that we're not busy working in the background. And obviously, when the time is right, we will talk about those specifics.

Madison Callinan

Great. Thank you.

Operator

The next question will be coming from Christian Carlino from J.P. Morgan.

Christian Carlino

Hi. Good morning. Thanks for taking our question. How should we think about the potential lift to the glass units when you add these regional insurance agreements? And it's less of a question on this year and the recent agreements you've made, and it's more about what mature AUVs could look like just given on the website you speak to acquiring locations with about \$3 million in AUVs. So, is that where you expect things to shake out over time as you expand these insurance agreements?

Danny Rivera

Yes. Hey Chris, this is Danny. Look, I'm not going to get into how much incrementality we're going to see from any one or few regional agreements. I guess what I'd do is take a step back and say, we've said all along for the AGN business, now that we're kind of past integration and we're building this business and we're building the momentum of this business, we've said that we want to really focus in on building out a regional insurance and commercial. And Q2 represents for us an opportunity to not just say that we want to do that, but in fact, we have done that, right? So, now we've landed six different regional insurance carriers in one quarter, two national car rental companies, and that's just momentum that we look to continue to grow into the future. So, we're happy with the progress. It's exactly what we said we're going to do and we're hoping to do, and we're just happy to announce that it's not theoretical anymore, but we're landing deals and we hope to continue to do so.

Christian Carlino

Got it. And I guess just at a high level, how would you diagnose what you're seeing from the consumer? Did the consumer weaken versus the first quarter or stay flat and you'd expect things to get better? Any color on maintenance deferral? And I guess, to what extent are things like higher insurance premiums just pressuring vehicle spend broadly?

Jonathan Fitzpatrick

Yes, Christian, Jonathan here, I'll take that one. We're not economists, but we'll tell you sort of our view on the world. We certainly don't see the second half of the year as massively changing from the first half of the year. I would say that's sort of how we think about things. When we look at obviously, the outlook that we gave on same-store sales and revenue, we think that's factoring in our view on sort of an unchanged consumer spending environment in the second half of the year. And then the other two pieces in there are continued sort of softness in our U.S. Car Wash business and a little bit of the headwinds we saw in Collision in Q2. So, I think that's our best estimate in terms of what we see for the back half of the year. So, ultimately, no major change in consumer spending environment.

Christian Carlino

Got it. Thank you very much. Best of luck.

Operator

Our next question is from Peter Keith from Piper Sandler.

Peter Keith

Hey, thanks. Good morning, everyone. So, we've noticed that motor vehicle maintenance remains one of the more inflationary areas of the consumer economy. And I guess from the Driven portfolio, I'm curious, are you seeing, I guess, ticket increases just with general inflation? And where might that be occurring to the greatest degree?

Jonathan Fitzpatrick

Yes, we don't break out, obviously, ticket in any of the subsegments, Peter, but I think it's well known that over the last number of years, we've seen ticket growth across almost all of our segments. And I think that's more from a complexity of vehicle, age of vehicle, complexity of repair, than it is taking of price. And as I've mentioned multiple times in the past, we don't see any change in that trajectory over the next couple of years, again, because of the miles driven, age of vehicles, and complexity of repair. So, we think that growth in ARO, or average order repair, will continue as we look forward.

Peter Keith

Okay, fair enough. And one thing I was hoping to get an update on would be Take 5 Rewards and kind of how you're thinking about that program across both Quick Lube and Car Wash, just particularly given sort of the strategic evaluation of Car Wash today.

Danny Rivera

Yes. Hey, Peter. So, to your point, given the strategic evaluation and some of the things that Jonathan is thinking through from a portfolio management perspective, we've been quite prudent with that program. So, nothing's changed in the sense that it's rolled out. It's in a few different markets. We're really happy with the results that we're seeing in those markets, both from an operational perspective and how the team's able to deploy that solution and how consumers are reacting to it. And we're just being methodical about that program moving forward.

Peter Keith

Okay. Thanks much.

Operator

Next question is from Philip Blee from William Blair.

Sabrina Baxamusa

Hi, this is Sabrina. Thanks for taking our question. I know we kind of just talked a little bit about the traffic versus check, but what are some of the ancillary categories customers will purchase other than oil, and then what's that frequency of this and then its impact on average check?

Jonathan Fitzpatrick

Yes, I think I got your question, Sabrina, so I'll do my best to answer it. So, if we look at our Take 5 Oil Change business, there's really sort of two major drivers to average check growth over the last number of years. One is a continued shift to what we call premium oil mix, which would be defined as either semi or full synthetic. I think in this quarter, we hit about 90% of our customers buying a premium oil mix. The second component is what we call attachment rate of our big five ancillary products, and we're right around that sort of 40% attachment rate. That's really execution by our company and franchise stores. So, I think we don't see any material change in those trajectory and those two sort of check-building pieces. Obviously, on the premium oil mix at 90% there's not going to be massive growth on a go-forward basis, but we do think that there's opportunity to continue to build on the great 40-ish percent attachment rate on the big five.

Sabrina Baxamusa

Got it. That's helpful. Thank you.

Operator

[Operator instructions]. The last question on the line will be coming from William Staudinger from BMO Capital Markets.

William Staudinger

Hi, good morning. Can you just talk about the demand trends you're seeing from commercial customers versus retail customers?

Jonathan Fitzpatrick

Yes, William, welcome to the coverage universe of Driven, first of all. So, yes, good question. I think one of the beautiful things about Driven Brands is approximately 50% of our system sales come from our commercial partners. And it's a huge focus for us and has been for a number of years. Inherently, that commercial customer is using their vehicle for revenue-generating purposes or to complete jobs that they have to do. So, we generally see very sticky, predictable revenue demand from our commercial customers, and we've not seen anything to change that so far in 2024.

William Staudinger

Okay, thanks. And then have any of your businesses experienced impacts from Hurricane Beryl, which hit Texas in July?

Danny Rivera

Yes. Hey, William, this is Danny. So, we'll probably get into it more next earnings call, but the short answer is yes. I mean, we have heavy presence for multiple brands in the Houston and Texas area. And certainly, when Hurricane Beryl, no pun intended, barreled through there, we took store closures for multiple days across a variety of stores. So, we'll give more of an update next earnings, but yes, there was a bit of an impact for us.

William Staudinger

Okay. Thanks, guys.

Operator

There are no further questions at this time. Ladies and gentlemen, this concludes your conference call for today. We thank you for participating and ask that you please disconnect your lines. You all have a good one.

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