Driven Brands Holdings Inc. (DRVN) Q2 2026 Earnings Call Transcript

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Q2: 2026-08-06 Earnings Summary

Insights

EPS of $0.29 beats by $0.02 | Revenue of $507.42M (-7.91% Y/Y) beats by $2.70M

Driven Brands Holdings Inc. (DRVN) Q2 2026 Earnings Call August 6, 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

Craig Kennison - Robert W. Baird & Co. Incorporated, Research Division
Simeon Gutman - Morgan Stanley, Research Division
Mark Jordan - Goldman Sachs Group, Inc., Research Division
Michael Albanese - The Benchmark Company, LLC, Research Division
Phillip Blee - William Blair & Company L.L.C., 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 Matt, and I will be your conference operator today. At this time, we would like to welcome everyone to the Driven Brands Second 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 Second 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 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' Second Quarter 2026 financial results. Driven delivered another quarter of positive same-store sales and continued growth, led once again by Take 5. Our Franchise Brands segment continued to serve as a reliable, high-margin cash generator, and we further strengthened the balance sheet during the quarter, reducing net leverage to 3.1x.

For the quarter, compared to prior year, system-wide sales grew 5% to $1.6 billion, revenue grew 7% to $507 million and adjusted EBITDA was $107 million. Consolidated same-store sales increased 1.4%, and we grew our total footprint 5% to more than 4,300 locations, adding 192 net new stores over the last 12 months, with growth once again led by Take 5.

Our strategy remains consistent, drive strong growth through Take 5 and generate reliable free cash flow from Franchise Brands. That combination of growth and cash allows us to invest in our highest return opportunities while continuing to strengthen the business.

The operating environment remains dynamic and is being shaped by several factors, starting with a K-shaped consumer economy in which lower-income households remain under significant pressure. Moreover, renewed conflict in the Middle East has disrupted energy markets, driving volatility in oil prices and supply and pushing gas prices higher, which weighs directly on consumers and demand.

While the broader industry is facing supply chain pressure, our scale and strong supplier relationships mean we do not foresee near-term supply concerns, absent a significant change in conditions. Our largely nondiscretionary portfolio is built to perform in exactly this kind of environment. That said, resilient does not mean impervious. So we are approaching the back half of the year with caution and a disciplined focus on execution.

Let me start with Take 5, home of the stay-in-your-car 10-minute oil change. Take 5 delivered its 24th consecutive quarter of same-store sales growth with same-store sales up 3.6% and system-wide sales growth of 13%. On a 2-year basis, Take 5 same-store sales grew 10.2%, reflecting the underlying strength of the business as we lap a strong prior year period.

Adjusted EBITDA grew 8% with margins of 34%. We opened 50 net new Take 5 locations in the quarter and have grown the segment by more than 175 stores over the past 12 months, ending the quarter with more than 1,400 locations.

The Take 5 model continues to resonate with our customers. Our Net Promoter Scores remain in the mid-70s, and we continue to see meaningful contribution from our non-oil change services, which represented almost 30% of Take 5 sales for the quarter. Our new unit pipeline remains robust at approximately 800 locations, more than 1/3 of which are site secured or further along. And we remain committed to opening 150 or more units annually as we progress toward our long-term goal of more than 2,500 total locations.

That said, we continue to watch the consumer closely. As we noted last quarter, we are seeing some moderation, particularly among newer customers and lower-income consumers who have been under sustained pressure. We are at our best when we are the fastest, friendliest and simplest oil change on the planet, and the team remains focused on delivering that value proposition and on building lasting customer relationships. We believe the largely nondiscretionary nature of our services positions us well as we manage through a more dynamic macro environment.

A brief word on input costs. Like the broader market, we have seen upward pressure on oil and related input costs in recent months. Here, Take 5's scale is an advantage. We benefit from strong long-standing supplier relationships, a diversified supply chain and healthy product availability and a seasoned procurement team that continues to manage supply and cost effectively. We have a track record of taking modest disciplined price increases to offset rising input costs, and we will keep managing that lever thoughtfully while staying focused on protecting the value we deliver to our customers.

Turning to Franchise Brands, home to iconic brands like Meineke, Maaco and CARSTAR. This segment did exactly what it is designed to do, generating reliable, high-margin cash flow. Same-store sales increased 0.5%, and the segment delivered strong adjusted EBITDA margins of 59%. Performance was led by continued strength at Meineke. In collision, while the broader industry remained under pressure, we continue to outperform, taking share and running approximately 200 basis points ahead of the industry.

Maaco, our most discretionary brand, also remains under pressure, consistent with the trends we have previously discussed. Even so, this segment continues to be a dependable source of cash that funds our growth.

Turning to Auto Glass Now, which delivered same-store sales growth of 2.6% and continued to make steady progress. Since entering the automotive glass market, we have scaled Auto Glass Now into the second largest operator in the industry, and we see a long growth runway ahead. The glass market is large, fragmented and growing, and we have meaningful opportunity to expand across our retail, commercial and insurance channels and to continue taking share over time. As a reminder, this business remains in its incubation period and performance will be uneven from quarter-to-quarter, but we are encouraged by the foundation we have built and by the long-term opportunity in front of us.

Before turning to our outlook, let me spend a moment on our financial foundation. We remain focused on strengthening the foundation of Driven Brands, continuing to invest in our people, systems and processes, and we are making solid progress. This work positions us to operate with greater discipline and consistency as we execute our strategy.

Now turning to our outlook. We are reiterating our full year 2026 guidance, revenue of $1.95 billion to $2.05 billion, same-store sales of flat to 2% and net new unit growth of 160 to 190 units. We are also reiterating our adjusted EBITDA range of $430 million to $460 million. That said, consistent with our approach to providing you visibility into key developments and based on what we are seeing today, we expect to be closer to the lower end of our range.

Given the continued uncertainty around consumer demand, particularly among lower-income households and the conflict in the Middle East, we believe a measured posture is appropriate in a dynamic environment. Mike will take you through the details in a moment.

Let me close with a few key takeaways. First, we delivered another quarter of positive same-store sales growth across all segments. Second, Take 5 again led the way with another quarter of strong consistent growth and its 24th consecutive quarter of same-store sales growth. Third, our Franchise Brands segment continues to serve as a reliable, high-margin cash generator. And finally, we remain firmly committed to our capital allocation priorities, including reaching our target of 3x net leverage by the end of 2026.

I want to thank our more than 7,000 Driven Brands team members and our franchise partners for their continued dedication and execution. Their commitment to taking care of our customers every day is what drives our results.

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. We are pleased to return to a normal reporting cadence for Q2 and deliver another quarter of same-store sales growth across all our segments. 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 Q2, Driven recorded same-store sales growth of 1.4% and added 42 net new units. System-wide sales for the company grew 4.9% in Q2 to $1.6 billion. Total revenue for Q2 was $507.4 million, an increase of 6.8% year-over-year. Q2 operating expenses increased $6.2 million year-over-year, driven primarily by higher costs from higher sales and more stores, $11.8 million in nonrecurring restatement costs and approximately $4 million of out-of-period costs. Restatement costs were approximately $3 million below our initial Q2 expectations. We expect those costs to shift into Q3 as we complete our audit work on our whole business securitization financials.

Year-to-date restatement costs totaled $20.9 million. This increase in operating expenses was offset by a decline in SG&A. SG&A for Q2 was $129.7 million or 8% of system-wide sales. Excluding the Q2 restatement costs, SG&A was 7.2% of system-wide sales, in line with our expectation as a growing multi-business platform with both franchise and company operations.

Operating income increased $26 million to $73.1 million in Q2, driven primarily by the increase in revenue. Adjusted EBITDA, which includes restatement costs, decreased $7.9 million to $107 million for the quarter. Excluding restatement costs, adjusted EBITDA increased $3.9 million or 3.4%. Adjusted EBITDA margin for Q2 was 21.1%, a decrease of approximately 300 basis points versus Q2 2025, driven primarily by restatement costs.

Interest expense declined $10.4 million to $20.8 million, driven primarily by ongoing debt paydown. Income tax expense for the quarter was $13.8 million. Net income from continuing operations for the quarter was $37.3 million. Adjusted net income from continuing operations for the quarter was $48.2 million. Adjusted diluted EPS for Q2 was $0.29.

Q2 performance for each of our segments include: Take 5 grew same-store sales 3.6%, in line with our expectations for Q2 and added 50 net new units in the quarter, of which 24 were franchised units. Adjusted EBITDA grew 7.8% to $114.9 million, driven by sales growth. Adjusted EBITDA margin decreased roughly 70 basis points, driven by inflation and store operating expenses. Franchise Brands reported a 0.5% increase in same-store sales. Revenue declined $3.4 million, driven primarily by the sale of our 2 remaining company-operated collision locations.

Adjusted EBITDA was $41.2 million in Q2, a decrease of $2.4 million, driven by increased technology costs and select investments in people to drive future growth. Auto Glass Now reported same-store sales growth of 2.6% in Q2. Adjusted EBITDA decreased $6.6 million to $3.5 million, driven primarily by the out-of-period costs.

Turning to cash flow and leverage. Our cash flow statement shows a consolidated view of cash flow, inclusive of discontinued operations. Net capital expenditures for Q2 were $31 million, a decrease of $11.7 million versus Q2 2025, primarily driven by the lapping of CapEx from our divested Car Wash businesses. Q2 free cash flow, defined as operating cash flow less net capital expenditures, was $44.7 million, an increase of $13.2 million from Q2 2025.

We ended the quarter at 3.1x net leverage and remain on track to achieve our target of 3x by year-end with strong cash flow generation. As previously stated, we remain committed to achieving 3x net leverage, and we'll communicate our go-forward capital allocation plans at the appropriate time. As we look to the back half of the year, we want to provide our thoughts on current trends and expectations for the rest of 2026.

Sales. We expect current trends to continue in the back half of the year. For Take 5, we expect softness from lower income consumers will continue to pressure sales growth. We expect Franchise Brands to continue with flat to modestly positive growth in same-store sales given the ongoing softness in Maaco and modest normalization in collision.

Restatement costs. We expect restatement costs to be at the top end of our initial $35 million to $45 million range. We continue to view these costs as nonrecurring in nature and not reflective of the underlying earnings power of the business.

Adjusted EBITDA. We are maintaining the range, which contemplates a variety of macroeconomic scenarios. However, as Danny mentioned, we expect to be closer to the low end of the range based on where we stand today. We see ongoing uncertainty from the lower income consumer in the Middle East conflict, restatement costs at the high end of our range and $4 million of out-of-period costs in Q2. As a result, we are approaching the second half of 2026 with caution.

Taking those factors into account, we are reiterating our full year 2026 outlook ranges. Revenue of $1.95 billion to $2.05 billion, same-store sales of flat to 2%, net new unit growth of 160 to 190 units, adjusted diluted EPS of $1.15 to $1.25, adjusted EBITDA of $430 million to $460 million, trending as noted toward the low end of the range.

In addition, we continue to expect net capital expenditures of approximately 6.5% of revenue and expect to generate between $125 million and $145 million of free cash flow. We are confident in the long-term growth trajectory of our individual brands and the broader Driven platform, but recognize the work ahead to continue building the appropriate financial foundation.

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 Craig Kennison with Baird.

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

I'm wondering what kind of inflationary pressure you are facing with your base oil costs?

Daniel Rivera
President, CEO & Director

Craig, this is Danny. Yes. So look, as I mentioned in the prepared remarks, I think the conflict in the Middle East, obviously, is something that's impacting the entire industry. That's not limited to us or to Take 5 specifically. That being said, we think that we're in a pretty good place right now. We've got a lot of scale. We've got great relationships with our supplier partners. So I think we're sitting pretty.

From a supply perspective, again, unless there's some kind of near-term significant changes, we think that we'll be able to service our customers, and that's all positive. From a cost perspective, we started to see a bit of cost increases in Q2. We expect that we'll see some cost increases into the back half of the year. From our pricing perspective, franchisees, again, they don't all act as one group, but we saw some franchisees starting to take price early in Q2. From a corporate perspective, we took a bit of price at the back half of Q2, in line with what we've done historically. Historically, when our input costs have gone up due to the limited elasticity that we see with our products, we feel like we're able to pass that price along in the short term, trying to preserve gross margin dollars. So that's what we've done end of Q2. We anticipate that we will do that into the back half of the year as we see our costs go up.

Craig Kennison

Robert W. Baird & Co. Incorporated, Research Division

Very helpful. And then what's the impact do you think on traffic given your sensitivity to the lower-end consumer?

Daniel Rivera

President, CEO & Director

Well, I think if I look at kind of Take 5 for a second and I look at what's happened, I mean, we called out that the lower income consumer was moderating in Q1. We're pretty transparent about that early on and that we've seen that moderation continue into Q2. A couple of things to say about that. I would say, number one, I haven't seen it get worse, so it's stabilized there. Number two, when we look at the rest of the customer cohorts, we're seeing resilience. Average check is up. Premium mix for us continues to be in the low 90s. Attachments are into the high 50s. So generally speaking, what I would say is that lower income consumer continues to be moderating, so to speak, but it has stabilized, and we see strength with the rest of our consumer base.

Operator

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

Simeon Gutman

Morgan Stanley, Research Division

Okay. Can you hear me okay?

Daniel Rivera

President, CEO & Director

We can.

Simeon Gutman

Morgan Stanley, Research Division

Okay. Perfect. My first question is on Take 5. I guess there is a competitor, and I'm sure you're expecting this, and I wanted to ask about relative performance. Do you think there is a price or an inflation component to it or as a comparison issue. Curious -- I mean, the number looks fine and in line. And I guess, looking back at like what has driven the [3.5] and whether that, I guess, from a transaction perspective versus a pricing perspective, that could accelerate going forward?

Daniel Rivera

President, CEO & Director

Yes. I mean, look, I appreciate the question. You're asking, kind of, a competitive thing. And obviously, I think I know where you're going. I think it's important to call out, number one, this isn't a 2-horse race, right? So this is a fairly fragmented market. There's other national operators, there's regional operators, there's local operators, there's dealerships. So based on all the data that we see internally, what I would say is there is a select few operators in North America that are taking share in the quick lube space, and Take 5 is certainly one of them. If I look at the quarter, look, it was a solid quarter, 3.6% comp sales growth, 10% on a 2-year basis, 13% system-wide sales growth.

We opened 50 net new units. So all in all, I'd say it's a solid quarter. And in my view anyway, as I think about Take 5 and the role that it plays at Driven Brands as part of the growth in cash framework, really interesting for me is that Take 5 is it's early innings. I mean it's a scaled company, and we're at 1,400 locations, but we've got runway to 2,500 locations. So we've got a lot of runway ahead of us.

Simeon Gutman

Morgan Stanley, Research Division

And then the comment on the inflation and store expenses. What's that related to? Is that a temporal or permanent change? And then does that necessitate further pricing action on your part going forward?

Michael Diamond

CFO & Executive VP

Yes. Simeon, this is Mike. I would say I'd start off with it's not one specific thing. This is, quite frankly, a little bit of increase across several of the various line items that, when you put it all together, is store expenses. I don't see the need at the moment to take additional price to offset this. So -- this is the first quarter we've mentioned it. We'll obviously keep an eye on it. But I would say, in general, we believe Take 5 can continue to be a mid-30s EBITDA margin segment even with some of the pressures we're seeing.

So we saw a little bit of increase on things like store supplies. We've mentioned Brent over the last couple of quarters. But in general, we feel good about our ability to operate the box.

Operator

Your next question comes from the line of Mark Jordan with Goldman Sachs.

Mark Jordan

Goldman Sachs Group, Inc., Research Division

Can we dig into a little bit of the Franchise Brands segment? Great to see another quarter of positive same-store sales growth here. It, kind of, sounds like the broader collision repair market under some pressure, but your platform is outperforming. As we think about the setup for the remainder of the year, do you expect this dynamic to persist? And maybe have any view on how the broader market is set up for the remainder of the year?

Daniel Rivera

President, CEO & Director

Yes. Mark, I appreciate the question. Look, what I would say is we don't give segment level guidance for the year. Mike and I, obviously, in our prepared remarks, we reiterated our outlook for the full year at the Driven level. So that should give you, kind of, a sense of how we're thinking about the back half of the year. For Franchise Brands, I'd say, look, it was a solid quarter. We're up 0.5% from a comps perspective. I think more importantly, again, if I go back to our driven framework about growth and cash, Franchise Brands for us is all about cash. We want to see really nice margins out of that business, which, again, we saw 59% margins for the quarter. So I think that, that segment is doing exactly what we need to do.

I don't want to go too much into detail on each individual business, but maybe I'll give you some headlines. Meineke, strength to strength, had a strong Q1, continued into Q2. Sitting here today, we see no reason to think that Meineke will not have a strong back half to the year. From a Maaco perspective, Maaco has been softer. We expect it to continue to be a bit soft in the back half of the year. That's one of our more discretionary businesses, and it's certainly impacted by what we're seeing with the lower-income consumer.

And then to your point around collision, I mean, the overall industry has been soft. What I said, I think, last quarter is that we expect this year to be a year of stabilization versus bounce back. And I think that, that's what's playing out. For our part, we continue to outperform the overall industry anywhere between 100 to 300 basis points depending on any given quarter. So I'd say, generally speaking, those are the headlines for Franchise Brands.

Mark Jordan

Goldman Sachs Group, Inc., Research Division

Perfect. That's excellent color. And then this may have been answered, but I don't know if I got it. Just switching to the Auto Glass Now. EBITDA margin for the quarter was a bit lower than we would have expected. Is there anything to do with seasonality or one-offs in the figure there?

Michael Diamond

CFO & Executive VP

Yes. As we called out in the prepared remarks, it's largely driven by the one-off we took. So we took roughly $4 million of an out-of-period expense that relates to some balance sheet cleanup from 2024 and prior. We hit it this quarter. We called it out because it's significant to the segment and wanted to make sure that people understand we don't view the $3.5 million number as the run rate earnings power of the business in Q2. That said, as we work through our remediation, we're committed to doing things right and want to be transparent with that charge we took.

Operator

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

Michael Albanese

The Benchmark Company, LLC, Research Division

I just want to take a step back. I have a broader question here. But obviously, a few days ago, you rejected the activist proposal and effectively communicated that you believe the intrinsic value of the overall business is meaningfully higher than where the stock is trading now. So I just want to know if you could explain kind of what operational or financial milestones gives you that confidence or essentially just elaborate on how you came to that conclusion.

Daniel Rivera
President, CEO & Director

Yes. Mike, I guess what I would say is, look, let me kind of set the stage here. I mean, to your point, so the Driven Board rejected ADW's acquisition proposal earlier this week, consistent with its fiduciary duties and in consultation with advisers. The Board carefully reviewed and evaluated the proposal. The Board unanimously determined that the proposal was highly conditional and does not provide a credible basis on which to proceed. It also concluded that the proposal significantly undervalued Driven considering its long-term value creation opportunities. And it also concluded that it wasn't in the best interest of Driven nor its shareholders.

The Board and the management team remain committed to acting in the best interest of all shareholders and to evaluating opportunities to maximize shareholder value. And ultimately, I think kind of the crux of your question is when we look at the underlying business, our strategy, our long-term value creation opportunities, the Board and the management team continue to believe in our ability to add shareholder value and to disciplined execution of our strategies.

Michael Albanese
The Benchmark Company, LLC, Research Division

All right. And just kind of a quick follow-up to that. I mean, as you think about the next several years here, what do you view as the clearest path to kind of closing that valuation gap?

Daniel Rivera
President, CEO & Director

Yes. I look at it as -- I think there's really 3 things for us to basically create value, so to speak, right? So I think, number one, we have to deliver on our growth and cash strategy. We've been saying that over and over again. I'll unpack that for a quick second. I think folks on this call know this, but growth is all about Take 5, right? So what do we need from Take 5? We need continued growth. We're going to grow that business 150-plus units a year, which we've been doing for some time now. We want comps to be in the mid-single digits. We want margins to be in the mid-30s. And ultimately, as I said a second ago, we've got a long runway ahead of us, 1,400 locations with 800 units in our pipeline, well on our way to getting to 2,500 locations. So we got to execute growth.

Cash is about Franchise Brands. We've talked about that a little bit today, but that's all about just making sure that those mature iconic businesses continue to deliver cash flow and have margins right around that, kind of, 60% mark. So got to execute our strategy. That's number one. Number two, we have to be disciplined from a capital allocation perspective.

Let me unpack that. What does that mean? It means 2 things to Mike and I. Number one is we got to fund growth at Take 5. And number two, we got to get our leverage in order. So we've made a ton of progress there. Sitting here today, we're at 3.1x. We're committed to get to 3x. So we got to do those 2 things, growth in cash, disciplined capital allocation.

And then I'd say the third thing is no surprises. We have to execute flawlessly, and we have to put our heads down and just do what we say we're going to do. And it's certainly my belief and the management team's belief that if we do those things, we will drive long-term shareholder value.

Michael Albanese

The Benchmark Company, LLC, Research Division

Okay. And I'll just follow up with one last quick one here. I mean you're at 3.1x levered, target 3, obviously, steadily approaching that target. Can you just give us some insight on if and how capital allocation kind of priorities change in a delevered environment? Are you considering shareholder-friendly actions, buybacks, strategic transactions or other value-enhancing alternatives?

Michael Diamond

CFO & Executive VP

Yes. Sure, Mike. I think I've given a similar answer for the last couple of quarters. So I'm not sure I'll break any new ground. I think I'll start with we have been focused on getting to 3x. To Danny's comment about no surprises, doing what we say is important to us. And given that's an important threshold that was set out several years ago, we believe it's important to get to the number, not close to the number, not around the number, but we actually want to get to the number to demonstrate both for our existing shareholders, but also for future shareholders that the power of this cash engine that we have.

I've talked about we're going to take a disciplined intellectually honest approach to how we think about capital allocation going forward. There's a lot of different levers we could pull. Some of them could be additional investment in the business as we think about the great 4-wall economics that a Take 5 box look at. Some of them could be return of capital. We're working in partnership with our Board and the rest of management to identify what those strategies can and should be. And as we get to the actual 3x number, we'll be prepared to talk about not only the thoughts, but how we plan to execute that going forward.

Operator

[Operator Instructions] Your next question comes from Phillip Blee with William Blair.

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

So now that you're breaking out the Glass business, I guess, how should we think about comps for that business? I understood it could be very choppy. But when we think about -- I guess, should we think about some sort of annual target average over the next few years. Similar -- then similar question on the segment's margin structure. How should we think about the evolution there?

Michael Diamond
CFO & Executive VP

Yes, absolutely. So I'll say a couple of different things. I think, first of all, as we've mentioned pretty consistently, we view this as a business that's an incubation. And so I would not over-index any given quarter, quite frankly, whether it's really good or more modest like it is this quarter. We do not view that growth as linear. As you win new contracts, you could see step changes. But in between those contracts, the goal is just to continue executing against our existing customer base and continuing to find operational efficiencies. You get to margin, and I would again just make sure people are aware of the onetime charge we took this quarter as part of an out-of-period that relates to 2024 and before. And so the $3.5 million we're posting this quarter from an adjusted EBITDA perspective is not representative of what we think the true earnings power of the business is in Q2, but was just our commitment to continue to cleaning things up and calling it out when we see something that we think is significant to the segment in the quarter.

From a margin perspective, I think what you've seen so far, which is kind of a low double-digit margin from where we stand today is probably the right baseline from which to grow. The good news is, as we add additional traffic, the marginal flow-through is better than that. And so as we add additional sales, either through continued operational improvement or through new customers, we should be able to continue growing that business from both a dollars and a margin perspective.

But I wouldn't get over anchored on that, as we've talked in the past, again, this is an incubation. It is part of the growth strategy, but more of the longer-term growth strategy. The near-term growth and the near-term margin, quite frankly, will be driven by our ability to continue growing Take 5 and the continued near 60% margins of the Franchise Brands business.

Phillip Blee

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

Okay. Very helpful. And then you guys have done a lot of work to simplify the model, optimize the portfolio of brands over the past few years. Can you just share where you are at in that process? Is there room for further optimization cleanup? Would you consider selling off any sort of bigger parts of the business? Or do you feel good about where you're at in the current position?

Daniel Rivera

President, CEO & Director

Yes. I appreciate the question, Phillip. Look, I'm not going to give too much detail here for fairly obvious reasons. What I'd say is Mike and I see our job primarily is driving long-term shareholder value. We've said that we're going to be active portfolio managers, and we've, in fact, been active portfolio managers. And we see active portfolio management as a lever to generating long-term shareholder value. So we intend to use the levers and to be disciplined. And if it makes sense, and then we're open to doing that. You shouldn't read into that, that we are not happy with the current portfolio. All we're saying is it is a lever at our disposal. And ultimately, we're trying to drive shareholder value.

Operator

Your next question comes from the line of Sarah Morin with Piper Sandler.

Sarah Morin
Piper Sandler & Co., Research Division

This is Sarah on for Peter Keith. First, are there any updates that you can share around the CRM platform for Take 5? What's working or not working there? And just any color around where you see the biggest opportunities ahead?

Daniel Rivera
President, CEO & Director

Sure. So from a CRM perspective, I guess I'd call out CRM is one of those things that it's a platform play for Driven. So one of the nice synergies that Driven is where it makes sense, we leverage our spend. We buy best-in-class tools, and we leverage that across all of our businesses. So the CRM engine is one of those things. CRM is CRM, you don't need a different one for each business. So that's a nice synergistic platform play for us.

As it relates -- I'm not going to get into too much nuance here. I mean, we drive significant portions of our traffic across all of our businesses, frankly, due to the first-party data that we have and the CRM capabilities that we have. That manifests itself in simple things like just oil change reminders as an example. We've got a bunch of proprietary algorithms on how we do that, how we notify customers, what we notify them about. So suffice it to say, it's a platform for us, and it works quite well.

Sarah Morin
Piper Sandler & Co., Research Division

Okay. Great. And then just in terms of Take 5's pricing and promo strategy, have there been any changes there? And then just more broadly, how did promos trend in Q2 relative to prior quarters, both for Driven and the industry?

Daniel Rivera

President, CEO & Director

Yes. I'll answer the second question first. So as far as promotions in the second quarter generally, generally speaking, you see elevated levels of promotions in the second quarter. You've got 4th of July on Independence Day, obviously, for the U.S. sitting in there, and that's peak driving season. And so things tend to get a bit more promotional around that period. I would say that, that is normal. That's been true as long as I've been in this industry. So nothing specific to call out there other than more of the same, so to speak.

As far as how we're thinking about promotions today in Take 5, promotions for us is a tool in the toolkit. We are not a promotional brand as a foundational matter, but it's something that where and when it makes sense, we deploy it. If I relate it back to that lower income consumer and the moderation that we're seeing, that tends to be a solution that using that tool of promotions makes sense. It is a readily identifiable group of customers that are motivated by value. So that makes sense for us to maybe be surgical in terms of how we think about promotions, targeting those groups and trying to drive top of the funnel activity. So most recently, that's how we're thinking about it as it relates to that lower income consumer.

Operator

Your next question comes from the line of Tristan Thomas with BMO.

Tristan Thomas-Martin

BMO Capital Markets Equity Research

I just wanted to ask, I don't know if there's any true historical apples-to-apples comparisons. But what have you seen in past kind of inflationary cycles regarding just mix and attachment rate of Take 5?

Daniel Rivera

President, CEO & Director

Well, I mean, look, I've been a part of Take 5 for some time now. What I've seen consistently outside of whether it's inflationary cycles or not, what I've seen is growth. So our premium mix has grown since we bought the business in 2016, since I was running the business in 2020. We've consistently grown premium mix. We've consistently grown attachment rates. We've added new services through that period, and we've proven that, that's another lever of growth for us. Most recently with differentials, we introduced the service. We're executing it now, and it's part of our mix.

One of the hard things about answering that question, Tristan, is that Take 5 has been in growth mode ever since we bought it. And so it's not, let's say, like a Meineke that's been around for 55 years and is a more mature business. And so you can maybe see some ebbs and flows. Take 5 has been growing as long as I've been a part of it.

Tristan Thomas-Martin

BMO Capital Markets Equity Research

Yes. I get that. And then just -- I think you touched on this, but I just wanted to make sure I heard it correctly. Is the goal to manage the gross margin dollars or gross margin rate?

Daniel Rivera

President, CEO & Director

Yes. In the short term, what we try to do is manage to gross margin dollars. And that's our way of kind of making sure that we protect both the P&L as much as humanly possible, but also protecting value that we're delivering to the consumer. Over time, what tends to happen is, obviously, costs will come back down. The nature of this industry, again, it's a fairly inelastic product and offering. We typically can hold the pricing that we put in place. So overall, in the long term, you may see some margin expansion. But in the short term, we're preserving dollars.

Operator

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

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