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Driven Brands Holdings Inc. (DRVN) Q3 2024 Earnings Call Transcript

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Q3: 2024-10-31 Earnings Summary

[Play Call](#)[Press Release](#)EPS of \$0.26 **beats by \$0.04** | Revenue of \$591.68M (1.83% Y/Y) **misses by \$6.79M**

Driven Brands Holdings Inc. (NASDAQ:[DRVN](#)) Q3 2024 Earnings Conference Call October 31, 2024 8:30 AM ET

Company Participants

Joel Arnao - Senior Vice President of Finance, Treasury and Investor Relations

Jonathan Fitzpatrick - President and Chief Executive Officer

Danny Rivera - Executive Vice President and Chief Operating Officer

Mike Diamond - Executive Vice President and Chief Financial Officer

Conference Call Participants

Peter Benedict - Baird
Seth Sigman - Barclays
Madison Callinan - Canaccord Genuity
Christian Carlino - JPMorgan
Peter Keith - Piper Sandler
Kate McShane - Goldman Sachs
Chris O'Cull - Stifel
John Lawrence - Benchmark

Operator

Good morning, ladies and gentlemen, and welcome to the Driven Brands Inc. Q3 2024 Earnings Conference Call. At this time, all lines are in listen-only mode. Following the presentation, we will conduct a question-and-answer session. [Operator Instructions] This call has been recorded on Thursday, October 31, 2024.

I would now like to turn the conference over to Joel Arnao, SVP of Finance, Treasury and Investor Relations. Please go ahead.

Joel Arnao

Good morning, and welcome to Driven Brand's third quarter 2024 earnings conference call. The earnings release and the Leverage Ratio Reconciliation are available for download at our website at investors.drivenbrands.com.

On the call today with me are Jonathan Fitzpatrick, President and Chief Executive Officer; Danny Rivera, Executive Vice President and Chief Operating Officer and Mike Diamond, Executive Vice President and Chief Financial Officer. In a moment, Jonathan, Danny and Mike 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 these reconciliations to the most directly comparable GAAP financial measures on the Company's Investor Relations website and in our 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 for 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 the 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 you to limit yourself to one question and one follow-up.

Now I'll turn it over to my partner Jonathan.

Jonathan Fitzpatrick

Good morning. Thank you for joining us today to discuss Driven Brands third quarter 2024 financial results. First, I want to acknowledge the hard work and great execution by our more than 10,000 Driven Brands team members and our amazing franchisees, for how they continue to navigate an extremely dynamic macroeconomic environment.

Now my focus remains steadfast on three key priorities. Firstly, delivering our 2024 outlook, secondly, utilizing excess free cash flow to reduce debt and thirdly, active portfolio management. Now I will begin with a review of our third quarter 2024 highlights and corporate initiatives and then turn it over to Danny, who will discuss some of our operating segments and then Mike, who will detail our third quarter financial results and full-year outlook.

I'd like to add that Mike, while only with Driven for a quarter, is having a terrific impact. Mike has deep experience with multi-unit businesses, understands the importance of driving cash flow and paying down debt, and knows where we should be prioritizing resources to maximize equity value.

For Q3 2024 we delivered revenue of \$592 million up 2% versus the prior year. Supported by 56 net new stores and 1.1% same-store sales growth. Our 15th consecutive quarter of positive same-store sales growth. And adjusted EBITDA of \$138.8 million, generating diluted adjusted EPS of \$0.26 per share.

Now we continue to be pleased by the performance of our Take 5 Oil Change and franchise businesses all being key contributors to a solid Q3 2024. Q3 results were good despite significant weather impacts from four named hurricanes in Q3. Unfortunately, weather will be another factor in Q4 as we experienced impact from Hurricane Milton particularly affecting our Take 5 Oil Change stores in South Florida. I'm happy to report all stores are back up and running.

As discussed in our Q2 earnings call. We anticipate that the ongoing inflationary environment will likely continue to pressure consumer spending for the remainder of 2024, with lower income households being the most impacted and we expect that this pressure will be somewhat mitigated by strength in our commercial business and our needs based businesses. We remain focused on delivering our 2024 outlook even with ongoing consumer uncertainty and major weather events in Q3 and Q4. Mike will provide more details on our 2024 outlook shortly.

I'd now like to spend a few minutes on some key corporate initiatives. As previously reported, we closed on the sale of PH Vitres, our Canadian distribution business, on August 31. This strategic decision allowed Driven to exit a lower priority, lower growth business and utilize the proceeds to pay down debt. Mike will cover the full year impact to Driven shortly.

We've received a lot of questions regarding our U.S. Car Wash asset over the past several quarter orders. The U.S. Car Wash business has been under strategic review and I'm confident we'll have a definitive view by the time we announce fiscal 2024 results. Additionally, Mike and I continue to evaluate additional opportunities for portfolio management which would help simplify our operations by exiting non-core businesses and further reducing debt. Our team is continuing to make good progress on divesting our U.S. Car Wash pipeline properties.

As a reminder, through Q2 we had sold approximately \$100 million of assets. And we sold an additional \$60 million in Q3. This puts the year-to-date total at approximately \$160 million. As I have previously mentioned, reducing our overall leverage remains one of my primary objectives. Our goal was to finish the year at 4.5 times or below, which I'm pleased to report we achieved in Q3. Our focus now shifts to achieving our target of less than three times leverage by year end 2026 or sooner.

Now let me spend a few minutes on some key drivers of our results, Take 5 Oil Change and our franchise businesses. Q3 '24 marks the 17th consecutive quarter of positive same-store sales growth for Take 5 Oil Change. Revenue grew by 15%, EBITDA grew by 14% compared to Q3 '23 and we opened 45 new stores in the quarter.

As of Q3, approximately 40% 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 our total Take 5 locations over time. Our unit economics continue to attract new franchisees and drive our existing franchisees to sign incremental development agreements.

Today we have a very robust pipeline of approximately a 1,000 sites in place, one that we built organically over the past five years and will continue to build. We have direct real estate visibility into more than a third of this pipeline, which provides us with clear line of sight into the next five years of unit growth and achieving our target of at least 2,000 locations.

Take 5 Oil Change performance and growth rates over the past three years are as good or better than any national scaled oil change business. We will continue to prioritize growth for this brand as its competitive positioning and long runway for growth will help drive significant value for driven long-term. Over time we remain optimistic that analysts and investors will come to appreciate the massive value that Take 5 Oil Change has and will continue to deliver.

I want to make sure that investors and analysts understand the importance of our franchise businesses. Which today are spread across our maintenance, PC&G and platform services segments. And include market leading brands like Meineke, Maaco, CARSTAR and 1-800-Radiator.

Driven was founded on franchise businesses in the needs based auto services category and today we are the world's largest franchisor of auto service brands. We have 100s of dedicated employees whose sole mission is to help our franchisees be successful and to be in business for themselves, but not by themselves. These businesses, some of which have been around since the early 1970s, are run by long tenured franchisees who wake up every day focused on delivering great service to their customers.

Today we have more than 2,600 franchise locations across multiple categories. Combined, these businesses generate more than \$80 million of advertising funds which we use to continue to drive sales and traffic. Our franchise businesses represent approximately two-thirds of Driven System sales with more than 50% of those System sales coming from long standing sticky predictable commercial partners.

Our scaled franchise businesses are the largest in the industry and asset light providing driven with consistent predictable growth, compelling asset light margins and steady cash flow. Recurring steady cash flow from our franchise businesses allows us to fund growth and investment in our industry leading Take 5 Oil Change brand. This is the compelling one-two punch of growth and cash flow.

In addition to this one-two punch, we have other levers that we expect to drive growth over time for Driven. 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. This is a uniquely powerful platform we have created that benefits our franchisees, company stores, vendor partners and Driven.

Finally, our glass business Auto Glass Now provides a compelling entry point into an attractive end market. And as I mentioned on our Q2 call, earning insurance and commercial business can take time and we want to do it right because of the importance of long-term sustainable partnerships. We remain very confident in the long-term opportunity for this business, but recognize it will take time to deliver growth.

My focus in 2024 is clear, delivering on our outlook, reducing debt and active portfolio management. 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

Thank you, Jonathan. I'd like to start by thanking our Driven employees and franchisees. Whether braving the intense summer heat or dealing with the aftermath of devastating hurricanes, their unwavering commitment ensures that our customers can quickly get back on the road to support their families, businesses and communities.

I'd like to begin by restating that my priorities for 2024 remain unchanged, ensure Take 5 continues to deliver against our expectations, 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 with EBITDA margins exceeding 50%.

In the third quarter we encountered significant challenges from four major hurricanes, Beryl, Debbie, Francine and Helen, which impacted several key markets across the Southern and Eastern United States. While all locations are back open and operational, these storms affected both consumer behavior and our operations. From the days leading up to the hurricanes through the extended aftermath. Pre hurricane we saw a decline in demand as customers postponed non-essential services like car washes and oil changes. Post hurricane, our business continued to face disruptions as consumers prioritized immediate recovery efforts while infrastructure issues such as power outages, road closures and flooding impacted our ability to operate.

While we are still evaluating the full financial impact, we estimate that more than 500 locations were affected, resulting in over 1,500 lost retail days and a system wide sales loss of up to \$10 million, which resulted in a same-store sales impact of approximately 70 basis points.

Turning now to our maintenance segment which once again saw year-over-year growth in system wide sales, revenue and adjusted EBITDA. Our strong performance was largely driven by Take 5 Oil Change, the crown jewel of the driven portfolio and home of the 10 Minute stay in Your Car Oil Change. As Jonathan mentioned, Take 5 continues to deliver exceptional results marked by its 17th consecutive quarter of positive same-store sales and a 14.6% revenue increase compared to the same quarter prior year.

Same-store sales grew 5.4% for the quarter, primarily fueled by ticket growth with non-oil change revenue being the largest driver and premiumization being a secondary driver. Take 5 Oil Change also delivered adjusted EBITDA growth of 14.4% compared to Q3 of 2023 and EBITDA margins of 32.9% for the quarter.

Despite the tougher environment for consumers, we've continued to see no material change in overall demand and strong trends with our non-oil revenue and premiumization. Our strategy with Take 5 Oil Change is simple, to have the best fastest growing multichannel business in quick lube. To be the best retailer in the quick lube industry, consistently acquiring and retaining customers is crucial. Take 5 excels in both areas. We effectively acquire customers by executing a balanced marketing strategy that combines broad reach brand campaigns with cost efficient data driven local campaigns.

Take 5 also enjoys strong repeat business, by delivering an exceptional customer experience. Our fast friendly and simple framework delivers 10 minute menu based oil changes with no high pressure selling tactics. This customer centric approach has earned us world class net promoter scores in the upper 70s. Our comprehensive strategy positions us well to capitalize on new opportunities and drive long term growth.

Finally, effective management of the middle of the P&L is essential to sustaining our success. The team has maintained margins of approximately 33% by focusing on driving COGS efficiencies through centralized purchasing and optimizing labor at the store level. We are committed to making Take 5 Oil Change the fastest growing business in the industry. For the quarter, Take 5 opened 45 new units bringing our total network to 1,120 stores. We are on track to open approximately 170 new units in 2024 with around 110 of those locations being franchise owned and the rest company owned. Our goal of opening 150 plus new locations per year remains intact for the foreseeable future, supported by a robust pipeline of over 700 franchise licenses sold in over 400 locations in our development pipeline.

A key strength of Take 5 growth strategy is our ability to expand through both franchise and company owned locations. Demand from franchisees to open new locations remains high and many of our existing franchisees have well developed real estate pipelines in place. At the same time, our company owned locations continue to deliver impressive results, providing strong returns on capital and maintaining 4-Wall EBITDA margins in the low 40s.

Finally, we want to have a diversified multichannel business that can grow in various economic environments. We have developed a significant fleet business serving customers across national rental, fleet management and government sectors as well as local fleet accounts from small businesses nationwide. Our fleet business is outpacing our overall company growth driven by both ticket growth and transaction growth. Thanks to new customer acquisitions and expanded business with existing customers.

Turning to our PC&G segment, Q3 delivered revenue of \$109 million, adjusted EBITDA of \$34.7 million and adjusted EBITDA margin of 31.9%. Q3 same-store sales were up 1.3%, a sequential improvement of 180 basis points over the prior quarter. Sales in the quarter were primarily driven by ticket growth across our paint and collision businesses. In our collision business, we continue to steadily add direct repair programs throughout the quarter. Our U.S. collision business continues to outperform the industry as we gain market share with national claims.

Auto Glass Now, our company owned U.S. glass business continues its multi-year journey. In Q3, we sequentially improved same-store sales, adjusted EBITDA and adjusted EBITDA margins. As part of our growth strategy, we remain focused on expanding relationships with regional insurance carriers and major commercial partners.

Q3 was particularly notable as we secured our first regional insurance account where we were not only chosen as a partner but also appointed as their third party administrator. This win reinforces our ability to provide competitive alternatives for regional glass needs and positions us to attract more partners across the country. Additionally, in Q3, we signed agreements with two additional national rental car companies, further strengthening our presence in that market. Our Platform Services segment, primarily comprised of 1-800-Radiator, delivered segment revenue of \$52.2 million, adjusted EBITDA of \$22.5 million and adjusted EBITDA margins of 43%.

Now I'd like to turn our attention to our Car Wash segment. This quarter, Car Wash delivered \$142.2 million in revenue, \$25.6 million in adjusted EBITDA, and adjusted EBITDA margins of 18%. Same-store sales increased 1.8%, showing sequential improvement as well. Our international Car Wash business had another solid quarter, helping to offset weather headwinds faced by our U.S. Car Wash business, which was significantly impacted by four hurricanes in core markets.

While hurricanes affected all of Driven's businesses, their impact on our U.S. Car Wash business was particularly pronounced because these are ultimately lost occasions. Even with less than ideal washing conditions, the demand for membership remains resilient and we remain committed to growing our membership base. Our recurring membership program continues to experience conversion rates steady at about three times the levels we observed at the beginning of the calendar year. To that end, I am thrilled to share that as of today we have surpassed the remarkable milestone of one million members in the United States. This achievement is a testament to the exceptional dedication and hard work of our talented team members throughout the country over the last 10 months.

Lastly, I'd like to highlight Driven Advantage, our online marketplace, where company owned stores, franchisees and affiliates can purchase over 90,000 SKUs to meet their business needs. Driven Advantage continues to grow. We've added approximately 1600 customers this year primarily from our franchisees and affiliates and added features like automatic reordering and vendor promotions. Driven Advantage is a uniquely powerful platform created by Driven that benefits our franchisees, company stores, vendor partners and Driven as a whole.

Overall, the third quarter represents another solid quarter for Driven. Take 5 Oil Change continues to deliver best-in-class results. We generated significant improvement in same-store sales in our collision business compared to the previous quarter. Additionally, we achieved positive comp sales in our Car Wash segment, despite the challenges posed by four major hurricanes. Our legacy franchise businesses continue to generate adjusted EBITDA margins exceeding 50%. I want to extend my gratitude to the 1,000s of employees and franchisees whose hard work made this strong quarter possible.

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

Mike Diamond

Thank you, Danny and good morning, everyone. I'd like to thank Jonathan, Danny and the rest of the Driven leadership team for such a warm welcome during my first three months at the company. I joined Driven because I'm genuinely excited about the company's potential. A portfolio of well-known profitable and growing brands, underpinned by favorable industry dynamics, impressive unit economics and strong free cash flow profiles. I look forward to working with the team here at Driven to further our leadership in the automotive services category and drive free cash flow generation to support deleveraging and profitable growth.

I'd also like to take a moment to thank Joel Arnao for his leadership as Interim Chief Financial Officer prior to my arrival. Joel is a strong leader and I'm appreciative of his ongoing leadership of the finance function as well as the partnership we've developed during my short time here at the company.

Turning now to our Q3 results, Driven recorded its 15th consecutive quarter of positive same-store sales growth increasing 1.1% in Q3. As Danny mentioned earlier, this includes a headwind of approximately 70 basis points from the hurricanes that impacted our business during the quarter. We saw strong comp growth in our maintenance segment led by our Take 5 Oil Change business which grew same-store sales by 5.4%. Our PC&G segment returned to growth in Q3, growing same-store sales by 1.3%.

Overall, Driven added 56 net additional units this quarter of which 14 are company owned. Take 5 Oil Change led the way with 45 net additional units in Q3. System wide sales for the company grew 2.1% in Q3 to \$1.6 billion. Total revenue for Q3 was \$591.7 million, an increase of 1.8% year-over-year. Q3 operating expenses decreased \$936 million year-over-year. Key drivers of this decrease include a \$938 million decrease in impairments related to the lapping of both goodwill and asset and lease impairments from Q3 of last year which primarily related to our U.S. Car Wash operations.

A decrease in company operated and independently operated store expenses by approximately \$17 million year-over-year. This decrease occurred with overall sales growth as the team demonstrated better operating efficiency and tighter spend discipline during the quarter, partially offset by a \$27 million increase in SG&A driven primarily by a decrease in gains from sale leaseback transactions and higher share based compensation expense related to the modification of pre IPO awards which we communicated in Q4 of 2023.

Operating income was \$40 million for Q3. Adjusted EBITDA increased 13.7% to \$138.8 million for the quarter. Adjusted EBITDA margin grew approximately 250 basis points to 23.5% for Q3. Interest expense for Q3 was \$43.7 million, \$2.4 million higher than Q3 last year driven by transaction costs from our WBS refinancing in July of this year, offset in part by ongoing debt paydown and increased interest income.

Income tax expense for the quarter was approximately \$9.8 million. Net loss for the quarter was \$14.9 million. Adjusted net income for the quarter was \$41.8 million. Adjusted diluted EPS for Q3 was \$0.26, driven by strong operating performance and continued debt paydown.

Turning to liquidity, leverage and cash flow year to date through Q3, net capital expenditures were \$168 million consisting of \$185 million in gross CapEx offset by \$18 million in sale leaseback proceeds. As Jonathan highlighted, we continue to make progress divesting our assets held for sale, generating an additional \$60 million of sales from divested sites in Q3. This brings our year-to-date proceeds from assets held for sale to \$160 million, surpassing our previous full year estimate of \$150 million.

We utilize this cash along with the proceeds from our divestiture of PH Vitres and free cash flow to continue executing our strategy of systematic deleveraging. Net leverage for the quarter ended at 4.5 times net debt to adjusted EBITDA reflecting a debt paydown of \$114 million in the quarter. As of today, we have paid down an additional \$36 million against the term loan in Q4. We are pleased to have achieved our year end objective of net leverage of 4.5 times or below a quarter early and continue our focus on driving net leverage below three times by the end of 2026.

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 3.3 years. Both our term loan and revolver have a floating rate, a decrease of 100 basis points on the borrowing rate would reduce annual interest expense by approximately \$6 million. Our ERP implementation went live in July. This implementation is an important step in the modernization of Driven's underlying infrastructure and is progressing as anticipated.

Turning now to the remainder of 2024. Business trends remain largely consistent from where we ended Q2 as strengthened Take 5 Oil Change and sequential improvement in our PC&G segment offset the headwinds, we faced from four named hurricanes during Q3. While there are puts and takes, the strength of the driven portfolio gives us confidence in reiterating guidance for the rest of the year, excluding the impact of the recently completed sale of our Canadian distribution business PH Vitres.

Previous guidance provided on August 1, 2024 included a full year of our PH Vitres business, instead of the eight months that will actually flow through these numbers. We expect these four fewer months to impact 2024 sales by approximately \$18 million and adjusted EBITDA by approximately \$6 million. Updated ranges incorporating only these adjustments are as follows.

For revenue \$2.33 billion to \$2.43 billion, we still expect to come in at the low end of our range. For adjusted EBITDA \$529 million to \$559 million. Similar to Q2, we still expect to come in at the mid to upper end of this range. Despite these adjustments, we still expect our adjusted diluted earnings per share to come in towards the higher end of our original range of \$0.88 to \$1 per share.

Given the distribution like nature of PH Vitres, its sales did not contribute to same-store sales. We reiterate the range of 1% to 3% we communicated during our Q2 call. We reiterate our original outlook of net store growth of approximately 205 to 220 stores during the year. The success of our assets held for sale benefited in part from a small amount of incremental spending capital expenditures. As such, we expect net capital expenditures to be modestly above the \$220 million previously articulated.

I'm excited about the future and eager to help the company execute its strategy of driving growth for our best-in-class Take 5 Oil Change brand while effectively managing the stable high cash flow portfolio of franchise brands.

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

Question-and-Answer Session

Operator

Thank you, ladies and gentlemen, we will now begin the question-and-answer session. [Operator Instructions] Your first question comes from Simeon Gutman with Morgan Stanley. Your line is now open.

Unidentified Analyst

Hi, this is Zach on for Simeon. Thanks for taking our questions. Can you speak to ticket versus traffic in car wash specifically and within ticket, how is pricing trending there?

Danny Rivera

Hey Zach, this is Danny Rivera. Thanks for the question. Appreciate it. Yes. So we don't actually break out traffic versus ticket. What I would say, suffice it to say, we're happy with both. Take 5 continues to perform exceptionally well. We're really happy with the business delivered 5.4% comps for the quarter. I mentioned in my prepared remarks, a lot of the growth this quarter came from ticket growth, growth from non-oil change revenue and from premiumization, and we continue to see those trends throughout the year. So very happy with Take 5 in the performance.

Unidentified Analyst

Got it. And just as a quick follow-up. Can you speak to whether the inflection in the comp and car wash was fairly balanced between international and U.S. markets? Or was one region more -- driving more of the upside there?

Danny Rivera

Yes, happy to. So if we look at the car wash comp, so two primary drivers of the growth there. So number one, the Car Wash international team, led by Tracey Gellin has been doing a great job for a long time. They continue to do a great job. They put up a great quarter. That helped with some of the headwinds that we faced in the states with the four hurricanes. So number one is kudos to that team and the performance there.

Number two, in the U.S. Car Wash business, we continue to see membership growth. So we implemented our strategy, if you remember back in January of this year. That strategy has been working really well for us. Ever since we implemented it in January, we've tripled our conversion rates. We've seen our churn rates go down. We've been able to hold both of those trends for 10 months now. And all of that is culminating and I was really excited to announce that we have, sitting here today, over 1 million members in the U.S. So the comp growth for the quarter really just great job by the Car Wash international team and then continued success with our membership strategy here in the States.

Unidentified Analyst

Got it. Thank you.

Operator

Your next question comes from Peter Benedict with Baird. Your line is now open.

Peter Benedict

Hey guys, thanks for taking the question. First question, just sticking with kind of the car wash business, can you talk a little about maybe the retail flow that you've seen. You know the post hurricane comments are really most interesting to us. It sounds like they're still challenged a bit, but some others have been saying things are picking up a bit. So just curious what you're seeing just kind of post hurricane within the U.S. car wash business?

Danny Rivera

Yes. Hey Peter, this is Danny again. We don't really break out the retail versus membership traffic. What I would say is, look, we remain laser-focused on membership. At the end of the day, the way that we get out of talking about weather is by having a significant membership base. So we continue to really focus on the membership base. We've crossed the 1 million member threshold, like I said. And what's most exciting to me is, again, tripled conversion rates, churn rates are down, and that trend has been going on, going on 10 months now. So the longer we continue to deliver on that strategy, the more members per location we have, we'll find ourselves over time in a position where we're not going to have to talk about weather.

Peter Benedict

Got you. And then just my follow-up would be around the maintenance segment. Just maybe you can talk a little more about the margins were lower year-over-year there. Just what the driver was there, the outlook for margins within maintenance? And on the Take 5 Oil business, just curious how the mature store comps are doing? I know you're growing your units here, but just curious the trends around mature comps in Take 5 Oil? Thank you.

Danny Rivera

Yes. Thank you. So first off, on the margin side of things for the quarter. So two things that I'd say about margins for Take 5. To your point, we saw a little bit of degradation in the quarter. I'd say, number one, that's historically in the range, it's in line with what we've seen before. Number two, keep in mind, we did have four hurricanes in the quarter. So the degradation is primarily due to just some inefficiencies four-Wall labor that's directly related to the fact that we had four hurricanes and it creates some problems from a scheduling and from a labor perspective.

As far as mature stores, again, we don't really break out mature versus new stores and how they're performing. What I would say is we're quite happy with both our mature stores and our new vintages are performing quite well. If we look at our new vintages, we've said that strategically, we want to open about 150 locations per year. We want two franchise locations for every one company location or thereabout, and that continues to be a nice tailwind into the comp set for Take 5 and our mature businesses are also doing quite well.

Peter Benedict

Got you. Thanks Danny.

Operator

Your next question comes from Seth Sigman with Barclays. Your line is now open.

Seth Sigman

Hey, good morning, everyone. I wanted to focus on Take 5 and thinking about more of the medium-to longer term opportunity to drive that business beyond just unit growth. How do you think about ticket and an opportunity to maybe add more services? Is there a timeline that we should be thinking about from that perspective?

And then my second question, I'll just ask it upfront. On the glass business, you said it does take some time to ramp that up, ramp up that pipeline. Is there any way to frame maybe give us some context on how to think about when that contribution should really start to ramp? Thanks so much.

Danny Rivera

Yes. Thank you, Seth. This is Danny again. So starting with Take 5. As we think about that business, and your question was specific to ticket, look, I'd say number one, we're really happy with the growth of that business overall, 5.4% comps for the quarter. We're happy with the ticket growth. We're happy with the volume growth. As far as ticket growth, I don't see any near-term ceiling there. We talked about the fact that non-oil change revenue was up. It continues to be up. It continues to be a strong part of the business.

We've talked about in the past, non-oil change revenue for us. We sell five ancillary services. Our attachment rate on those services is in the mid-40s. Frankly, we have franchisee and company stores that have attachment rates north of 50 into the 60s. So we feel like we have plenty of runway to grow just with the five services that we provide today. We can provide more services in the future, and that's something that's certainly on the road map.

We've also talked about premiumization, and that continues to grow for us. We've said historically that our premium oil rates are in the 90-ish percent. For us, premium oil is both fully synthetic and a synthetic blend product. Within that mix, we know that we can continue to move customers up to the fully synthetic product, which would also be a nice tailwind to the business. So from a ticket perspective, we think that we have plenty of ceiling to continue to grow that business.

From a glass perspective, Jonathan mentioned in his remarks, it's a multiyear journey for us. We stay really focused on putting the right foundation in place and growing that business. We saw some exciting things in the quarter. We landed two more national rental car companies this quarter that you'll see us activate and operationalize those accounts in the next 30 to 90 days. And then you see the revenue flow in starting mostly end of Q4 into Q1.

Very excitedly, we also lend at a regional insurance account in the quarter. That's a two-part win. Number one is we get to do the fulfillment now in terms of we're part of their network and we get those transactions. But more excited is the fact that we were brought on to be their third-party administrator. So that is a really nice win for AGN. That work will begin in Q1 of next year, and it's continued momentum in that business.

Operator

Your next question comes from Brian McNamara with Canaccord Genuity. Your line is now open.

Madison Callinan

Good morning, this is Madison Callinan on for Brian, thanks for taking our question. So with that macro environment and consumer well stretched. Are you seeing any evidence of consumers delaying oil changes outside of these hurricane effected areas? And are you confident that you can continue to drive this ticket? Oil comp growth be driven more by increased car counts and a relatively young store based maturing? Thanks.

Jonathan Fitzpatrick

Hey, Madison, its Jonathan. I would say that we're not seeing any major trajectory changes with consumer behavior. You know in Q4 from Q3, we're really thrilled with our full year reiteration of guidance, considering all the noise we had in Q3 with the weather. So we're really pleased with that. Our Take 5 business, Madison, continues to be a juggernaut. We are 1,100 stores and growing 150 plus stores a year. We're at a 40% franchise base. We have a pipeline today of over a 1000 locations with great visibility into about a third of that from a real estate perspective. So our march with Take 5 is towards 2000 units and continuing to grow sales and traffic across all stores.

Madison Callinan

Thanks very much.

Operator

Your next question comes from Christian Carlino with JPMorgan. Your line is now open.

Christian Carlino

Hi, good morning. Thanks for taking our question. On the maintenance segment, I think franchise AUVs were down around mid-single-digits after growing in the first half. So could you speak to what extent is this a function of store opening timing, the hurricanes, or just a symptom of the softer consumer backdrop?

Danny Rivera

Yes. Christian, so two parts to that answer. Number one, if you look at the franchise cohort compared to the company cohort, it is just a smaller number of stores. So number one, you have a smaller base. And then number two, if you look at the growth, as we've mentioned before, over the last three years, we've been growing about two franchise locations for every one company location. So you have a combination of a smaller base of stores and then more new stores, which means more ramping stores. So basically, if you just -- it's a math thing, you've got stores that are still ramping over a smaller base. That's why the numbers kind of shake out that way.

I'd answer the question maybe slightly differently. We're quite happy with all of our vintages for the last three years, both company and franchise. Both are growing exceedingly well, and we're very happy with the performance.

Christian Carlino

Got it. That's really helpful. And could you speak to the progress on the glass turnaround? Maybe what inning are we in? And what is left to address in terms of the operational changes you've been making -- to what extent is it really just starting to grow AUVs and expand the insurance and commercial partnerships from here?

Jonathan Fitzpatrick

Yes, Christian, I don't believe we are in a turnaround situation with our glass business. As we've mentioned before, we've built in a relatively short period, the number two glass business in the United States. It's an incredibly attractive end market. We are now focused on driving top line sales and building that business over time. So we are well beyond integration or turnaround challenges. It's all hands on deck now to grow that business in a really attractive end market.

Christian Carlino

Got it. Thank you very much.

Operator

Your next question comes from Peter Keith with Piper Sandler. Your line is now open.

Peter Keith

Hi, good morning, everyone. I was going to stick on glass and so congratulations on the being named a third-party administrator. On that topic, is this the first TPA win that you've gotten? And regardless of that, does this now -- is there a proof point that you can potentially get more TPA agreements in the future?

Jonathan Fitzpatrick

Morning, Peter. Yes, it's not the first TPA we have, but it's the first we've won in 2024. It's one part of a multipart strategy to grow that business. As I've mentioned before, there's a retail component. There's a very large commercial component, which Danny talked about before. And then obviously, within insurance, there's multiple levels within that. So it is a nice proof point. It's a good win for us in 2024. And again, our focus is on building a really large, profitable, sustainable business for many, many years to come. But we're very pleased with the progress so far.

Peter Keith

Okay. Very good. And then maybe just on the hurricane impact. So 70 basis points to comp, \$10 million to revenue. Was there one segment where it was most impactful, I would think the car wash segment, but hopefully, you can lay that out? And then are there any businesses like maintenance where there's some deferral that could shift sales into later quarters?

Michael Diamond

Yes, Pete, this is Mike. In general, we're not breaking out the impact subsegment. I think you're right. If you think about it, car wash just from a consumer behavior tends to be a little bit more of a lost occasion where some of the other occasions, you may get a little bit of it back, although we did see impact across all of our segments. I think as Danny kind of alluded to, not just necessarily on the days specifically where that weather hits but in the days coming in and after as people focus more importantly on other things.

So we feel good about the business. From the deferred perspective, I think the more natural like point is if you look at the overall miles driven, the overall age of vehicles on the road, there's a lot of maintenance that needs to happen, and we look forward to serving those customers in the quarters to come.

Peter Keith

Okay, very good. Thanks so much.

Operator

Your next question comes from Robby Ohmes with Bank of America. Your line is now open.

Unidentified Analyst

Hi, this is Vicki on for Robby. And I wanted to ask about PC&G. Last quarter, you said industry-wide collision claims are down. Can you give some color on how collision claims are trending and where you see it go for the next few quarters?

Jonathan Fitzpatrick

Thanks Vicki, for the question. We're pleased with our PC&G segment returning to positive comps this year. As you probably know, our collision business is the largest in the world in terms of franchise collision locations. We continue to grow DRPs in that segment, as we've done for the last decade. We're definitely in an environment where we're seeing claims are down year-over-year, broadly in the mid-single-digit range, maybe a little bit higher. We talked about some of the contributing factors for that. We've not seen a massive change in trajectory from the last time we spoke, but testament to our franchisees and our team for continuing to win DRP accounts, which is why we saw the nice bounce back in Q3.

Unidentified Analyst

Thank you, that's helpful. And then for car wash longer term, how do you want to position your membership pricing level compared to the industry? And then in the current competitive environment, what trends are you seeing in terms of pricing and level of promotion? Thank you.

Danny Rivera

Yes. Hey Vicki. Look, all I would say is I'd reiterate, we're really happy with our membership strategy right now. We think the price point is the right price point for us. We rolled it out in January. We continue to see very predictable and good results out of that and we're not seeing any pressure internally or externally to make a change to that strategy right now. So we're going to stay the course for the foreseeable future.

Unidentified Analyst

Thank you.

Operator

Your next question comes from Phil Blee with William Blair. Your line is now open.

Unidentified Analyst

Hi, this is Sabrina on for Phillip. Thanks for taking our question. What's your view on the current competitive landscape and broader consolidation or evolution in this space over the past quarter? And any comments by segment or location?

Jonathan Fitzpatrick

Sabrina, are you talking about one particular segment? Is your question directed at one segment?

Unidentified Analyst

Both are -- however you guys feel.

Jonathan Fitzpatrick

Yes. Look, I've been in this category for 13-years now. We continue to see consolidation across the industry. The reason we see consolidation and influx of capital into the industry is because this is a massive total addressable market. There are really great macro tailwinds in auto where we've got vehicles that are over 12-years of age, therefore we've got older cars that need maintenance, we've got miles driven continuing to grow. So I think you will likely over the next decade continue to see an influx of capital into this incredibly attractive space and I would imagine that you will continue to see consolidation.

Unidentified Analyst

Got it. That's helpful. Thank you. And then what are you seeing on the commercial side? You touched on new partnerships, but any major differences in sentiment or purchasing behavior between D2C and B2B channels?

Jonathan Fitzpatrick

We have approximately more than 50% of our system sales come from our commercial partnerships. Those commercial partnerships have been built over decades. We value those commercial partnerships because they are hard to win. You have to earn the trust of those commercial partners. But when you can win them and service those accounts, they become very loyal, sticky predictable partnerships. So we can continue to grow our B2B focus and we're very pleased with the efforts across all of our categories in driving that B2B sector.

Unidentified Analyst

Great, thank you.

Operator

Your next question comes from Kate McShane with Goldman Sachs. Your line is now open.

Kate McShane

Hi, good morning. Thanks for taking our question. We wanted to ask about the strategy to get to three times leverage by 2026. How much of this is debt pay down versus your expectation for EBITDA growth and how much of that debt paid down is dependent on future dispositions?

Danny Rivera

Hey Kate, I think, I mean for me the short answer is both, right. We will get there both by growing EBITDA in part on the backs of just, you know, the fantastic asset that is Take 5 in addition to the rest of our business and then benefit from the strong free cash flow profile of the rest of our businesses. I think you've seen over this quarter and quite frankly through the rest of this year our demonstration and our commitment to paying down debt.

Jonathan mentioned in his comments portfolio management and obviously we will use that as an opportunity if it arises to, to help handle the debt stack. That'll be more of a strategic decision. But we feel comfortable given the strong growth trajectory of this business, its cash flow characteristics and our ability to be disciplined on capital allocation and free cash flow usage to make good progress over the next, I guess nine quarters to get there organically.

Kate McShane

Thank you.

Operator

[Operator Instructions] Your next question comes from Chris O'Cull with Stifel. Your line is now open.

Chris O'Cull

Great, thanks. Good morning, guys. Jonathan, I have follow-up to that question. I know you said you were looking at additional opportunities for portfolio management beyond the car wash segment or at least evaluating that. And I realize you won't get into specific businesses you might be considering. But can you give us a sense of how meaningful the potential proceeds from some of these non-core businesses might be? I mean is it safe to assume that that's a smaller opportunity than say the potential sale of the car wash? I just kind of wanted to confirm that was maybe the right way to think about that.

Jonathan Fitzpatrick

Two leading the question. Two leading the witness questions. Chris, well done. We will continue to look at what businesses are lower priority that can help us simplify the story the operations of the business. PH Vit is a great example. This was a distribution business in Canada, not a focus for us, geographically or from a category perspective. And it made a ton of sense for us to exit that business. So we're going to do this more from a simplicity and focus perspective. The byproduct will be proceeds will be used to pay down debt.

Chris O'Cull

Got it. Makes sense. Thanks. And then Danny, can you elaborate a bit more on the strategies you've employed to grow membership as quickly as you have in the car wash segment and achieve that step change in growth? I know you mentioned the price points that were rolled out in January, but is there anything else that you've done on the operational front in terms of how you're presenting it to the consumer or other changes that have helped you gain that traction?

Danny Rivera

Yes, Chris, happy to. I mean, look, it starts with the price point, but obviously that price point has to be communicated effectively. Right. So you take a new price point which we think makes sense given where we were in terms of our membership rates vis-a-vis the rest of the industry. So we thought that made sense. Then you have to train all the different team members out there at the point of sale how to deliver on that promise and how to deliver on the offer, so to speak. So there's a body of work that happens there.

And then look, at the end of the day the offer is great and we've seen a lot of success with it, but you have to deliver a great product, you have to deliver great service. So there's a series of things operationally we've done to improve the business to make sure that we're delivering a great customer experience everything from the scripts to how we handle things in the back lots. So there's a variety of strategic and tactical things that we've done. The net result is we continue to grow membership. We continue to have conversion rates three times where they were in January and we crossed the million member mark. So I think it's all coming together nicely.

Jonathan Fitzpatrick

And Chris, I would just add to that sort of coming over the top. Great leadership from Tim Austin who runs our U.S. Car Wash business, combined with a very robust CRM engine. You put all those things together and that has led to the execution on this great one million member mark.

Chris O'Cull

Great, thanks guys.

Operator

Your next question comes from John Lawrence with Benchmark. Your line is now open.

John Lawrence

Yes. Thanks guys. Just quickly, Danny, can you talk a little bit about when you look at the top quartile leaving off the storm-related car wash businesses, sort of the best quartile, how high -- can you talk about how did those comps get and talking about that operations, how much better those operations gotten in the best quartile?

Danny Rivera

Yes. Hey, John. We don't really break out quartile analysis and subsegment analysis. I would probably just reiterate what we've been talking about in the car wash business. Look, we delivered positive comps for the quarter. That's fantastic. Hats off to the Car Wash International team for doing a great job. And then hats off, Jonathan mentioned Tim and the leadership team there in the U.S. Car Wash business continuing to execute our strategy.

As we continue to grow members, you're going to see that business be less dependent on weather, which is strategically what we wanted to accomplish. So can't get into top quartile stuff, but I'd say I'm happy with the trajectory of the car wash business.

John Lawrence

Thanks. And just this last question. The system improvements at the glass business. Talk a little bit about how the system is performing and how that's allowing you, I guess, to get these contracts.

Danny Rivera

Yes. I mean -- so Jonathan mentioned the system -- the integration work we mentioned in Q1 is behind us, right? So this is all about growing this business. We've now got two quarters with some momentum that we've been building. We've landed some big commercial accounts. I've mentioned I think four or five rental -- national car rental agencies over the last two quarters. We've had some regional insurance wins, culminating and winning an account where we're not going to be the third-party administrator in Q1.

So you don't win accounts like that. You don't become somebody's third-party administrator without putting the right people, processes and systems in place. So I think you're seeing the fruit of our labor, right? We spent the majority of last year talking about integrating and putting the right people, process and systems in place, and now we're benefiting from that.

John Lawrence

Great, thanks. Good luck.

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.

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