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Driven Brands Holdings Inc. (DRVN) Q3 2025 Earnings Call Transcript

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Q3: 2025-11-04 Earnings Summary

Insights



EPS of \$0.34 **beats by \$0.04** | Revenue of \$535.68M (-9.46% Y/Y) **beats by \$25.30K**

Driven Brands Holdings Inc. ([DRVN](#)) Q3 2025 Earnings Call November 4, 2025 8:30 AM EST

Company Participants

Steve Alexander

Daniel Rivera - President, CEO & Director

Michael Diamond - CFO & Executive VP

Conference Call Participants

Justin Kleber - Robert W. Baird & Co. Incorporated, Research Division

Christopher O'Cull - Stifel, Nicolaus & Company, Incorporated, Research Division

Madison Callinan

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

Robert Ohmes - BofA Securities, Research Division

Sarah Morin - Piper Sandler & Co., Research Division

Christian Carlino - JPMorgan Chase & Co, Research Division

Michael Albanese - The Benchmark Company, LLC, Research Division

Marvin Fong - BTIG, LLC, Research Division

Presentation

Operator

Good morning, ladies and gentlemen, and welcome to the Driven Brands' Third Quarter 2025 Earnings Conference Call. [Operator Instructions] This call is being recorded on Tuesday, November 4, 2025.

I would now like to turn the conference over to Steve Alexander. Please go ahead.

Steve Alexander

Good morning. Welcome to Driven Brands' Third Quarter 2025 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 and full year.

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 may also make forward-looking statements regarding our current plans, beliefs and expectations. These statements are not guarantees of future performance and are subject to a number of risks and uncertainties and other factors that could cause actual results and events to differ materially from results and events contemplated by these forward-looking statements. Please see our earnings release and our filings with the Securities and Exchange Commission for more information. Today's prepared remarks will be followed by a question-and-answer session. We ask you to limit yourself to 1 question and 1 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' Third Quarter 2025 financial results. We delivered a strong third quarter with top to bottom strength on all key financial metrics. Driven grew revenue by 7% and delivered adjusted EBITDA of \$136 million. System-wide sales increased 5%, supported by 167 net new stores over the last 12 months, including 39 additions this quarter alone.

Same-store sales rose 3%, marking our 19th consecutive quarter of positive same-store sales. We also continued to strengthen our balance sheet, reducing net leverage to 3.8x, as we progress toward our target of 3x by the end of 2026. We remain focused on our growth and cash strategy, driving strong consistent growth through Take 5 and generating reliable free cash flow from our franchise and car wash segments. Take 5, home of the stay-in-your-car 10-minute oil change, delivered its 21st consecutive quarter of same-store sales growth and continue to perform across every key metric.

Through the third quarter, we opened 101 net new stores, including 38 in the third quarter. System-wide sales grew 18% year-over-year, and same-store sales grew 7%, driving adjusted EBITDA growth of 15%. Adjusted EBITDA margins expanded to 35%, up 40 basis points versus last year. These results reflect disciplined execution and a relentless focus on the customer, evidenced by our Net Promoter Score, which remained in the high 70s.

We continue to see meaningful growth in non-oil change revenue, which accounted for more than 25% of Take 5 sales for the quarter. Over the past 24 months, we've added new services while simultaneously growing the attachment rates of non-oil change services from the mid-40s to the low-50s.

We've now completed the rollout of our differential fluid service across the entire system. Early results have been positive. We've seen strong attachment rates, healthy margins, great customer feedback and no meaningful cannibalization of existing services. We expect to open approximately 170 new Take 5 locations in 2025, 90 company-owned and 80 franchised.

We remain committed to opening 150 or more new units annually, supported by the strong performance of our 2023 and prior vintages, which ramped above \$1 million in average unit volumes within 24 months. Our new unit pipeline remains robust with approximately 900 locations at the end of Q3, of which over 1/3 are sites secured or further along.

Finally, we continue to innovate to drive traffic and efficiency across the system. We recently implemented a new media mix model to better allocate advertising dollars and maximize return on advertising spend. At the shop level, we're testing AI-driven camera technology that detects queuing issues in real-time, helping managers adjust staffing and workflow to move more cars more efficiently and ultimately serve more customers.

Where Take 5 drives growth, our franchise and car wash segments anchor cash generation. Our franchise segment, built around some of the most trusted names in the industry, including Meineke, Maaco and CARSTAR, delivered same-store sales growth of 1% for the quarter versus prior year. That performance was driven by strength at Meineke and sequential improvements at Maaco and CARSTAR. The segment also delivered adjusted EBITDA margins of 66%, an improvement of 90 basis points versus the prior year.

Turning to IMO, our international car wash business, growth remained solid but moderated as previously communicated, with worse weather conditions in Q3 versus the first half of the year. Same-store sales and revenue for the segment grew 4% versus the prior year, resulting in adjusted EBITDA margins of 28%.

Now, turning to our expectations for the remainder of 2025. As we've discussed throughout the year, we continue to operate in a dynamic consumer environment. While the consumer faces ongoing pressure, our diversified portfolio has demonstrated resilience across varying market conditions. Q4 has been particularly choppy with several factors creating a higher degree of macroeconomic uncertainty, including the ongoing government shutdown and the potential disruption of funding for the military and social programs.

Given this uncertainty, we believe it's prudent to take a more conservative stance as we close out the year. Accordingly, we're narrowing our full year guidance ranges to reflect both our strong third quarter performance and the evolving macro environment. Mike will provide more details on the outlook in a moment.

I recently announced 2 important organizational changes that strengthen our foundation for the future. First, Mo Khalid has been named Chief Operating Officer of Driven Brands. In this role, Mo will lead the Take 5 and franchise segments. Mo is a seasoned executive, exceptional leader and a Driven Brands' veteran. He and I first worked together in 2015 when he led operations for me at Meineke. After several years with Driven, Mo went on to hold a series of senior roles at Great Wolf Lodge, culminating in his final role of Senior Vice President of Field Operations. He returned to Driven in 2023 as President of Take 5 Oil Change, where he and the team have grown the business to almost 1,300 locations with system-wide sales of \$1.6 billion and adjusted EBITDA of over \$400 million on a trailing 12-month basis. As COO, Mo will work across both segments to drive operational rigor, predictability and sustainable growth.

Next, Tim Austin has been named President of Take 5 Oil Change. Tim most recently served as President of Take 5 Car Wash, where he did an outstanding job stabilizing the brand, culminating in our successful sale of the business in Q2 of this year. Tim is a fantastic leader and an exceptional operator. He began his career at Walmart, starting as an assistant store manager and rising to Vice President of Store Planning. Over the past 6 months, Tim has served as COO of Take 5 under Mo, experience that perfectly positions him for this role. These moves reflect the depth of talent we've built across the organization. Our meritocratic culture continues to identify, develop and promote talent from within, ensuring we have the right leaders in place to drive performance and deliver results.

Let me close with a few key takeaways. First, we delivered a strong third quarter across same-store sales, revenue, adjusted EBITDA and adjusted EPS. Second, Take 5 continued to deliver industry-leading growth. Third, our franchise and car wash segments grew same-store sales in the quarter and remains reliable cash-generating engines.

And finally, we've reduced our net leverage to 3.8x and remain on track to reach 3x by the end of 2026. I want to thank our more than 7,500 Driven Brands' team members and hundreds of franchise partners who rally every day around our mission and our customers. Your hard work, focus and execution are what drives our results and our continued success.

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

Michael Diamond
CFO & Executive VP

Thank you, Danny, and good morning, everyone. Q3 2025 demonstrated Driven's consistent execution, led by another quarter of strong growth in our Take 5 Oil Change business, improved performance in our Franchise Brands segment and the continued reduction of our net debt to adjusted EBITDA ratio. These results demonstrate the power of our diversified platform with Take 5 driving continued growth, and our disciplined capital allocation moving us closer to our 3x net leverage target by the end of 2026.

As a reminder, with the divestiture of our U.S. car wash business, the results for that business are included in discontinued operations and are not included in financial details provided today, unless otherwise noted. Driven recorded its 19th consecutive quarter of same-store sales growth, increasing 2.8% in Q3. We added 39 net units in the quarter, led by continued expansion in our Take 5 segment. System-wide sales for the company grew 4.7% in Q3 to \$1.6 billion. Total revenue for Q3 was \$535.7 million, an increase of 6.6% year-over-year.

Q3 operating expenses increased \$21 million year-over-year, including an increase in company and independently operated store expenses of \$16.4 million, driven by higher sales volumes and additional stores in Q3 of 2025 versus Q3 of 2024. Operating income for Q3 was \$61.9 million, an increase of \$12.3 million. Adjusted EBITDA for Q3 was \$136.3 million, roughly \$4.3 million above Q3 last year.

As a reminder, Q3 of this year comes without the benefit of PH Vitres, which we divested in August 2024, but 2 months of which are still included in Q3 2024 results. Adjusted EBITDA margin for Q3 was 25.4%, a decrease of roughly 85 basis points versus Q3 last year as sales growth was offset primarily by the aforementioned increase in store expenses and investments in growth initiatives. Net interest expense for Q3 was \$23.6 million, down \$20.1 million from Q3 last year, led by lower debt balances, including the payoff of our term loan balance and the benefit of the acceleration of our interest rate hedge on our 2022 notes.

Income tax was a benefit for the quarter of \$21.7 million, driven by a discrete change during Q3 in our tax valuation allowances related to the One Big Beautiful Bill Act, which increased the company's interest deduction. Of note, this positive valuation adjustment is excluded from adjusted EPS in the quarter. Net income from continuing operations for the quarter was \$60.9 million, adjusted net income from continuing operations for the quarter was \$56.2 million. Adjusted diluted EPS from continuing operations for Q3 was \$0.34, an increase of \$0.11 versus Q3 last year, driven by higher operating income on increased sales and lower interest expense.

Q3 performance for each of our segments include Take 5 Oil Change, which represents more than 75% of Driven's overall adjusted EBITDA, had another strong quarter with same-store sales increasing 6.8% and revenue growth of 13.5%. Danny mentioned earlier the ongoing advancements we're making to the Take 5 business model, including better marketing efficiency, technology-led operational improvements and additional service offerings.

Take 5 continues to build on its strong operational foundation by driving attachment of non-oil change services, now over 25% of Take 5's total system-wide sales and continued growth in the penetration of our most premium synthetic offerings. Adjusted EBITDA for the quarter was \$107.3 million, reflecting growth of 15% compared to Q3 2024. Adjusted EBITDA margin was 35%. We opened 38 net new units in the quarter, of which 21 were company-operated stores and 17 were franchise-operated.

Franchise Brands reported a 0.7% increase in same-store sales despite ongoing headwinds in Maaco, our most discretionary business. Segment revenue declined \$1.8 million or 2.3% in the quarter due to a decline in weighted average royalty rate in the quarter. The segment continued its strategic role as a cash generator in our growth in cash portfolio, delivering an adjusted EBITDA margin of 66% in the quarter. Adjusted EBITDA was \$49.7 million, down \$0.5 million from the prior year due to the decline in revenue. During the quarter, we added 3 net new units.

Our car wash segment, representing our international car wash business, grew again in Q3 with a 3.9% increase in same-store sales. The segment continued to benefit from improved operations and expanded service offerings, while experiencing more normalized weather that resulted in moderated growth as compared to the previous 2 quarters. Adjusted EBITDA decreased \$1 million to \$15 million or 27.8% of sales, driven by higher independent operator commissions due to higher sales and higher utility and rent costs. We closed 1 store in the quarter.

Turning to our liquidity, leverage and cash flow performance for Q3. Our cash flow statement shows a consolidated view of cash flows for Q3, inclusive of discontinued operations. Net capital expenditures for the quarter were \$27.3 million, consisting of \$39.8 million in gross CapEx, offset by \$12.5 million in sale-leaseback proceeds. Free cash flow for the quarter, defined as operating cash flow less net capital expenditures, was \$51.9 million, driven by strong operating performance.

As we discussed last quarter, on July 25, we monetized the seller note received from our divestiture of our U.S. car wash business for \$113 million. We used the net proceeds to fully retire our term loan and pay down our revolving credit facility. Strong free cash flow, combined with the proceeds from the sale of the seller note, helped us reduce debt by approximately \$171 million during the quarter. At the end of the quarter, our net leverage stood at 3.8x net debt to adjusted EBITDA as compared to 4.1x at the end of Q2 2025.

On October 20, after the third quarter closed, we issued \$500 million of new 5-year securitized notes combined with the draw on our revolver of approximately \$130 million to prepay and retire in full our Class 2019-1 and Class 2022-1 securitized notes. This leverage-neutral transaction simplifies and extends our maturity wall, while reducing our annualized interest expense. We used our revolver as part of the transaction to permit us to deploy future free cash flow to continue delevering our balance sheet in a capital-efficient manner.

As of the close of the transaction, our revolving credit facility had a balance of \$187 million and represents the only nonsecuritized debt we have outstanding. Following the refinancing, our debt is now 92% fixed rate with a weighted average rate of 4.4%. Year-to-date through the end of Q3, we have repaid approximately \$486 million of debt.

As a reminder, you will see on our balance sheet an increase in current portion of long-term debt related to our Class 2019-1 securitized notes that were addressed as part of this recent refinancing. We continue to make progress on our goal of achieving net leverage of 3x net debt to adjusted EBITDA by the end of 2026. We are actively assessing how our capital allocation priorities will change once we achieve this important milestone, but for now, our focus remains on executing on our deleverage commitment, while investing in the Take 5 business, which generates a predictable high return on capital spend.

I'd now like to provide an update on our full-year outlook. As we enter the fourth quarter, we are narrowing our fiscal 2025 outlook ranges to reflect our year-to-date performance and current expectations for the remainder of the year. As Danny mentioned earlier, we have seen additional choppiness across our portfolio, beginning in Q4 as recent macroeconomic factors weigh on the consumer. Our revised ranges reflect an appropriate caution for the current economic climate despite the strong third quarter for Take 5 and despite the sequential Q3 improvement in Franchise Brands.

For the full year, we now expect revenue of \$2.1 billion to \$2.12 billion, driven by new unit growth and Take 5 strong performance through Q3, combined with a more measured Q4 outlook. Adjusted EBITDA of \$525 million to \$535 million, balancing Take 5's strong execution throughout the year with a more conservative view for the portfolio in Q4. Adjusted diluted EPS from continuing operations of \$1.23 to \$1.28, supported by our operational efficiencies and lower interest and income tax expense. Same-store sales at the low end of our original 1% to 3% range, reflecting the current consumer environment and ongoing dynamics in Maaco and collision.

As for other important operating metrics, we reiterate net store growth between 175 and 200 units. Net capital expenditures near the high end of our original range of 6.5% to 7.5% of revenue, driven by opportunistic builds in our Take 5 segment. For interest, we now expect full year interest expense of approximately \$120 million.

In closing, Q3 was another strong quarter for Driven's diversified, growth-focused business model. We combined same-store sales growth across each of our segments with strong cash flow generation that enabled us to continue our progress toward achieving 3x net leverage by the end of 2026.

With that, I will turn it over to the operator for Q&A, and we are happy to take your questions.

Question-and-Answer Session

Operator

[Operator Instructions] Your first question comes from Justin Kleber of Baird.

Justin Kleber

Robert W. Baird & Co. Incorporated, Research Division

Just was hoping you could share a bit more color on maybe on how the comps progressed across the quarter, what the exit rate looked like? And then Mike, you alluded to the choppy start here in the fourth quarter. Is that fairly broad-based across your business -- your various segments? And then just the math would seem to suggest you could see a negative comp in 4Q. I just want to ask if that's within a reasonable range of outcomes as you sit here today.

Michael Diamond

CFO & Executive VP

Yes. So I'll unpack those questions. Justin, good to hear from you. So starting from the top, I would say Q3, in general, performance was consistent within the quarter. Obviously, we're happy with those results that we saw in Q3 and think that it demonstrated broad-based consistency and strength across most of the brands that we have.

I think turning to Q4, as Danny and I both mentioned, we did see some choppiness as it relates to really the broader consumer environment, which did impact all of our brands. It's inconsistent, hence the word choppy, right? There are some good days, there are some bad days. And we felt it appropriate to demonstrate an appropriate amount of caution, as we sit here only 1 month into Q4.

In terms of your question on negative comp for Q4, I'd answer it a couple of different ways. I think, one, it's important to start with our Take 5 brand, overall continues to be healthy. And so we expect that brand to grow in Q4 kind of -- regardless of where we ultimately end up for the quarter and the full year within that lower end of the range.

Mathematically, yes, it is possible if we hit the very low end of that 1%. Given the strength we've seen in Q1 through Q3, it could be a negative Q4 from the consolidated. That will likely largely be driven by Franchise Brands, given the overweighting Collision can play in our same-store sales growth calculation. But I think, in general, the takeaway for Q4 is we're seeing some uncertainty. There is a little bit of choppiness across the entire consumer, as it relates to our brands. But overall, we think Take 5 is healthy. And that despite an incredibly strong Q4 '24, we'll be lapping. We expect that business to grow this quarter.

Justin Kleber

Robert W. Baird & Co. Incorporated, Research Division

Okay. Perfect. And then a question for you, Mike, just on kind of free cash flow conversion. It looks like you've converted about 70% of your adjusted EBITDA year-to-date in the free cash flow. Is that a good benchmark in terms of how we should think about this business on a go-forward basis? Could it actually get better to the extent CapEx maybe declines in '26? Just would love to hear your perspective on that topic.

Daniel Rivera

President, CEO & Director

Yes. I'm not sure I'm going to get into specifics of 2026 yet, as that's something Danny and I are still working through. I think we've demonstrated in all of 2025, our focus on delevering the balance sheet and achieving our commitment of 3x net leverage by the end of 2026. I mean, I think we pair that with the fact that our Take 5 business, because it is so strong, because we have such a good pipeline of both franchise and cost units, those corporate stores give us such an ability for a predictable high rate of return that we want to be opportunistic.

Yes, Danny mentioned in his remarks, the 170-ish total units, a little bit more corporate owned this year. That's largely driven by the opportunism we see. When a good location comes about, we want to take advantage of that. So I think at a high level, yes, we will continue to be focused on driving EBITDA to free cash flow, making sure we return that cash to our stakeholders, which right now is focused on debt. But we want to leave ourselves a little bit of flexibility so that as we see good opportunities to build Take 5 corporate stores, we have the ability to do that.

Justin Kleber

Robert W. Baird & Co. Incorporated, Research Division

Okay. Makes sense.

Operator

Your next question comes from Simeon Gutman of Morgan Stanley.

Unknown Analyst

This is [Zach] on for Simeon. Take 5 has been among the fastest unit growers in the industry since 2019. At the same time, it looks like units for this year 2025 will end a tad below original expectations. So what are your unit growth expectations over the next few years given competition is increasing and new units are slowing more broadly across the industry?

Michael Diamond

CFO & Executive VP

Yes. I'd have to go back and check expectations specifically related to Take 5 in 2025, because I would tell you that we feel very good with the numbers we're going to put up around 170, I think. Obviously, as we've discussed over previous calls, there's always going to be a little bit of fluctuation on the mix between franchise and corporate, not because the franchisees don't want to build, but because they deliver such high returns for us, we lean in when we find good opportunities that give us such strong returns. We mentioned on the call, we see a pipeline across the entire Driven portfolio, of which a large part is Take 5 of over -- almost 900 locations, of which about 1/3 are sites secured or better, which means we actually have the lease and moving forward.

To the extent what you're talking about is the fact that Q1 through Q3 is a little bit light relative to the full year, that's just a natural nature of a franchise business. Danny and I have been experienced with many of them, and you'll always see additional growth in Q4. I wish there was a way to make that not the case, but that's just the nature of the game. And so we feel really good with the pipeline. And I think longer term, as we've talked about, we see 150 or more Take 5 for the next several years given the strong franchise relationships we have and the additional pipeline of company-owned stores we can build to deliver a consistent, predictable high return.

Daniel Rivera

President, CEO & Director

Yes. [Zach], this is Danny. I'd just underscore what Michael has said. I mean, I think everything was spot on. But we've committed for a while now to be 150-plus locations a year. Nothing's changed with that. The pipeline is quite strong. And just to give you 1 data point, the franchise side of the business is incredibly healthy. We've got about 40% of our franchisees on that side of the business that are either on their second area development agreement or their third, so that is probably the best data point I can put out there in terms of the health of the franchise side of that business.

Unknown Analyst

That's helpful. And then just as a quick follow-up, in what ways does the Take 5's value proposition make it more likely to succeed as it continues to scale those units because it does seem like there will continue to be industry growth in units over the next few years. So what differentiates the Take 5 model?

Michael Diamond

CFO & Executive VP

Yes. I mean, I think it's a great question. I mean, at the end of the day, Take 5 is the home of the stay-in-your-car 10-minute oil change. And we're the only national provider that provides a 10-minute oil change experience stay-in-your-car with NPS scores in the high 70s. So at the end of the day, it comes back to the consumer and what is it that the consumer values, but what we've seen and where we've won historically is there's a consumer out there that wants a high-quality oil change and 10 minutes stay-in-your-car. That's an amazing experience. And the consumer that wants that that's where we win.

Operator

Next question comes from Chris O'Cull of Stifel.

Christopher O'Cull

Stifel, Nicolaus & Company, Incorporated, Research Division

Danny, you mentioned a new media mix model being used at Take 5. Could you just elaborate on the changes that were made and why you expect them to kind of benefit brand awareness?

Daniel Rivera

President, CEO & Director

Sure. Yes, happy to. I mean, at the end of the day, just to be clear, so we've had media mix models for time -- for some time now in Take 5. We just introduced a new partner, and we have, let's say, big aspirations for what the tool can do for us. At the end of the day, the media mix model kind of does 2 things for you, and we're in our first iteration of it with the new media mix model that we're using right now. But number one, it helps you just optimize spend across channels and geographies, so it really lets you get pinpoint accuracy in terms of what channels are working in specific parts of the country and how should you optimize that spend.

And then the second thing it does for you is it helps you understand should you be investing more or less at the macro level, right? So is there room on the curve -- kind of your return curve to actually invest more money into marketing? And what's the incremental return you're going to get on that investment? So we are leveraging both sides of that tool. Again, it's kind of early going. We just deployed it now, the new tool, anyway for the first quarter here. But we think that over time, it's going to improve our return on advertising spend, and we think that it's going to inform just the level of investment that we're making.

Christopher O'Cull*Stifel, Nicolaus & Company, Incorporated, Research Division*

Okay. Are there any specific spending milestones that could open up access to maybe new marketing channels as the ad fund grows and the system just has more units and better concentration?

Daniel Rivera*President, CEO & Director*

Yes. I mean, look, we're a national company today talking about Take 5, but there are obviously pockets where we have more concentration, let's say, in some areas that we're a little bit more sparse. As we fill out the map, we talked about getting to 2,500 locations. We still think that that's the North Star, and that's very doable. As we fill in the map and we get more concentration across the country, it does open up some upper funnel mass media where you can do, let's say, national TV or national radio buys that you're hitting a lot of eyeballs and per eyeball you're getting a good return, and it's a good -- very efficient buy, so to speak. So I think the short answer, Chris, is yes. As we continue to put dots on the map, it does open up more channels for us.

Christopher O'Cull*Stifel, Nicolaus & Company, Incorporated, Research Division*

Okay. And just one last one, and I apologize if I missed this, but how have sales trends among lower-income consumers at Take 5 shifted in the current quarter, maybe compared to the first half of the year?

Daniel Rivera*President, CEO & Director*

Yes. I mean, I'll answer maybe at the higher level. Just in terms of Driven, I mean, we've been saying all year long, and there's been pressure, right, on that lower income consumer. That's been true the entire year. That hasn't really changed in Q4. What we've seen in Q4, as we talked about in our prepared remarks and as Mike highlighted, a bit of choppiness. Some days are up, some days are down. It's been choppy than it's been the rest of the year.

There's some new variables here in Q4 that haven't existed. We mentioned them also in the prepared remarks. You've got government shutdown, you've got furloughed employees. You have at least the potential for millions of Americans to have their income disrupted as military or government programs may go unfunded. So there's some uncertainty out there. I think the thing that makes us feel good is, number one, we're coming from a position of strength. Third quarter is quite strong for us. 7% comps for Take 5, 1% comps for the franchise segment. It was strong quarter.

I'd say secondarily, we're nondiscretionary. So at the end of the day, if there's any disruption -- maybe you delay that oil change for a period of time, but at the end of the day, you're still going to need to change that oil, you're still going to need to get those brakes, you need to get your car back on the road. And so if there's any temporary dislocation, we tend to see a bounce back.

And look, at the end of the day, all of the uncertainty when Mike and I reissued our outlook for the quarter and we narrowed our ranges, all of that uncertainty is baked into that. So we feel good about hitting our ranges here in the back half of the year.

Operator

Your next question comes from Brian McNamara of Canaccord Genuity.

Madison Callinan

This is Madison Callinan on for Brian. Going off with the low-income consumer question, are you seeing any evidence of oil change referrals? And how would you measure that by location?

Daniel Rivera

President, CEO & Director

Yes. I'd say, look, in general, we've just seen the low-income consumer pressured. As we look at the entire year, we've had a strong year quarters 1 through 3. We've reiterated our outlook for the fourth quarter. All we're seeing is just a bit of choppiness here in the fourth quarter. So we continue to see strength at Take 5 non-oil-change revenue, we talked about is 25% right now.

We've continued to grow our attachment rates from the mid-40s. If we're going back about a year to 1.5 years now, we're sitting here today in the low 50s. We've rolled out a new service. That new rollout of the service differentials in this case has gone quite well. So the business has shown a lot of strength. All we're seeing is just a bit of choppiness. And again, there's some new variables in play here in Q4. So a bit of uncertainty in Q4. But again, we feel good about the ranges that we put out there from an outlook perspective.

Madison Callinan

And then what do you think it will take for the collision industry to inflect as insurance premiums and deductibles don't appear to be going down anytime soon?

Daniel Rivera

President, CEO & Director

I'm sorry, you kind of broke up there at the beginning. Can you reask the question?

Madison Callinan

Yes. What do you think it will take for the collision industry to inflect as insurance premiums and deductibles don't appear to be going down anytime soon?

Daniel Rivera

President, CEO & Director

Yes. Look, I think actually, as you've seen the year play out, right? So if we look at the insurance industry in general, Q1, Q2, we talked about estimates being down high single digits, call it, around 10%. There's 2 big drivers to that. Number one is claim avoidance. We've just seen as inflation has ticked up here in the last 24 months, it hit that part of the industry particularly hard. And so you've seen deductibles and premiums go up. The second reason is you've seen total loss rates historically high. And the combination of the 2 things has driven estimates to be down, call it, 10% or so percent first quarter, second quarter.

The industry did rebound in Q3. It did improve sequentially from Q2 to Q3. If we look into the future, we think Q4 may look a little bit more like Q2. The positive thing for us is when we look at Driven collision, our specific businesses, we continue to take share. So in a world where the industry maybe had some headwinds, we've consistently outperformed the industry. That continued in Q3. We mentioned a really strong third quarter with 1% comps for the segment at large, our best quarter from a comp perspective for the year.

And I'd say most importantly, and I keep kind of going back to this for our businesses, in particular, when you look at the franchise segment, ultimately, the role that, that plays in the portfolio is cash generation. So what I'm most interested in and what I'm most excited about is when I look at third quarter, and I see 66% EBITDA margins, that's exactly what we need from that part of the business, and that's what that part of the business has delivered for us.

Operator

Next question comes from Mark Jordan of Goldman Sachs.

Mark Jordan

Goldman Sachs Group, Inc., Research Division

On Take 5, same-store sales growth came in much better than expected for the quarter. And I know you don't break out traffic versus ticket, but just wondering if there's any commentary you can provide there about how the contribution was compared to maybe your initial expectations? Because I think looking back on the 2Q call, there was some discussion about trends potentially moderating in Take 5 for the second half of this year. So I guess on that note, how did the quarter trend relative to your initial expectations?

Michael Diamond

CFO & Executive VP

Yes. So I'd say a couple of things, Mark. Good to talk to you. I think first of all, we've always said we believe the Take 5 business is a mid-single-digit grower over the long term in this quarter, no exception, obviously, a little bit higher. I think mathematically, there still is this issue that as the new stores ramp, that's a helpful tailwind for us both in terms of traffic and ticket. But as we grow over a larger base, the impact of that will continue to be less and less. And so over time, we expect that to contribute less to the overall story, although it's still a positive tailwind.

I would say the other thing to your point, we don't break out the sales tree, but we feel good in terms of where we are from both a traffic perspective and an ARO perspective. We've obviously mentioned some of the various drivers we have in ARO around the ability to do more premiumization as well as the additional attach. And then, as you think about some of our commentary on Q4, in addition to the state of the consumer, which we've obviously covered, I'd also just remind you that Q4 of last year was an impressive comp at 9.2%, and so, there is a little bit of moderation we expect just given how we're going to be lapping that comp this year. But in general, the Take 5 system is healthy, we continue to grow. We feel good about the numbers we put up in Q3. And kind of regardless of where we land in the range for consolidated Driven in Q4, feel good about Take 5's growth prospects.

Mark Jordan

Goldman Sachs Group, Inc., Research Division

Perfect. And then just one follow-on, if I could. Thinking about the differential service offering you rolled out. I know you might not go into detail about product-specific attachment rates. But it sounds like attachment is trending maybe above your initial expectations. Is that the right way to think about it?

Daniel Rivera

President, CEO & Director

I'd say, Mark, look, the way to think about it is we're really happy with the results we're seeing. So we're fully rolled out nationwide at this point, both company and franchise. The team is doing an amazing job executing. So we just building the muscle rolling out the new service has been quite good. We haven't seen NPS scores budge at all. So we're able to introduce a new service while continuing to deliver NPS scores in the high 70s, which is obviously fantastic.

Margin profile is good. We're not seeing cannibalization. So I'd say check marks across the board. For me, the most exciting thing is it proves out another growth vector for Take 5, right? So we've shown historically that we can grow organically and we can take our attachment rates and grow the existing kind of basket of services, so to speak. But now, we're showing that we can add a new service to the mix that fits within the fast, friendly and simple model that we have and successfully execute that other growth vector. So for me, that's very exciting.

Mark Jordan

Goldman Sachs Group, Inc., Research Division

Congrats on a great quarter.

Michael Diamond

CFO & Executive VP

Thanks, Mark.

Daniel Rivera

President, CEO & Director

Thank you, Mark.

Operator

Your next question comes from Robby Ohmes of Driven Brands (sic) [BofA].

Robert Ohmes

BofA Securities, Research Division

Mike, just a quick follow-up on choppiness. You guys have kind of been answering it, but maybe going to ask for a little more clarification. So on the Take 5 side, choppiness is a deferral traffic situation? Or -- and you would -- you're seeing no change kind of in attachment rates or premiumization trends? Or maybe some color on that.

Daniel Rivera

President, CEO & Director

Yes. So welcome to Driven Brands, Robby, by the way. Nice to have you on the team. So yes, choppiness -- look, choppiness at Take 5 is what we've kind of alluded to. It's just we're seeing up and down days. I'd say on the non-oil-change revenue side of the equation and attachment rates, we're not really seeing any changes there. So attachment rates continue to be strong. We talked about we've grown them now into the low 50s. We talked about differential and how that's a positive behind the business. As we come into Q4 though, we're just seeing a little bit of choppiness in terms of traffic here and there. And again, it's across the portfolio.

And to Mike's point, I mean, he emphasized this earlier, it's choppiness, right? It's -- there's some really good days and then there are some days where it's not so good. So I'd say no changes to non-oil-change revenue, no changes to premiumization. We continue to see both of those be quite strong. But as we look across the portfolio, just a bit of uncertainty here in the fourth quarter and a bit of just up and down given any given day.

Robert Ohmes

BofA Securities, Research Division

That's really helpful. And then just sort of taking choppiness over to Maaco and CARSTAR, et cetera, the -- there's -- is it similar choppiness in direct repair program trends? Or is that more stable? What are you seeing on the direct repair program trends?

Daniel Rivera

President, CEO & Director

Yes. I'd say it's choppiness across the portfolio right now as it relates to DRPs, right? So that's specifically in the collision business. I mentioned this a second ago, but if you look at what's been happening with that industry, call it, estimates down high single digits, Q1 and Q2, the overall industry had a bit of a recovery in the third quarter and improved sequentially Q2 to Q3. We think that Q4 is going to probably soften a little bit, and it's going to look more like Q2. So that's just the industry trends that we're seeing. And that it's obviously related to the DRP, that's all kind of related.

But again, as I think about our collision business, we've been steadily taking share the entire year. That didn't change Q1 to Q3. We don't expect it's going to change in Q4. So even if the industry softens a little bit in Q4, we expect to continue to take share.

Operator

Your next call comes from Peter Keith of Piper Sandler.

Sarah Morin

Piper Sandler & Co., Research Division

This is Sarah on for Peter. Can you just break down the comp improvement within franchise a bit more, specifically in maintenance? And then, are you seeing underlying improvement in collision demand? Or are you seeing that improvement from Maaco's continuous improvement framework? And then just, when did you start to see these sequential improvements throughout the quarter?

Michael Diamond

CFO & Executive VP

Sarah, yes, happy to take that. So I will start by saying, in general, we don't break out the full brand performance across our franchise brands. I would call it a couple of things, though, that we mentioned in the prepared remarks, Meineke continues to operate well. Maaco, which is our most discretionary brand, has been under pressure really for the entire year. And while that improved some in Q3, that continues to probably be our most pressured franchise brand.

As Danny mentioned, we have -- we did see some improvement in Q3 in collision. That has an outsized impact on our same-store sales, if not our revenue, given the amount of system sales that run through our collision boxes. So I think, in general, we feel good about the Q3 performance. But as you probably heard on the call, cautious heading into Q4 for that section. The good news is it continues to do what it needs to in the portfolio, 66% margin for Q3, strong cash flow generator. So feel good about its role within the Driven portfolio to generate cash and help us pay down debt as we need it to.

Operator

Your next question comes from Christian Carlino of JPMorgan.

Christian Carlino

JPMorgan Chase & Co, Research Division

Could you maybe quantify your exposure to First Brands or lack thereof? And whether that's more Take 5 versus the Franchise Brands? I think within Take 5, it doesn't look like you source filters from them, but maybe source wiper blades from one of their brands. So could you quantify your exposure there? And then, any color you can provide around that.

Michael Diamond

CFO & Executive VP

Yes. I mean, very limited impact. And to the extent there is, we've got various other suppliers, so not -- I don't believe it's a read-through on anything in the auto category and not really worried about the impact to us.

Christian Carlino

JPMorgan Chase & Co, Research Division

Got it. That's helpful. And could you talk about trends by region? Any notable outperformers or underperformers? And then similarly, on the quarter-to-date, is the choppiness more apparent in any particular regions, maybe the D.C., Mid-Atlantic region, given the government shutdown or maybe some of your lower income markets? Any comments there?

Daniel Rivera

President, CEO & Director

Yes. Look, I'd say the general choppiness that we're seeing coming into Q4 is, I'd say, generally speaking, across the board. Yes, I could pick a data point here or there. If there happens to be a location that's in a particularly distressed neighborhood, maybe it's a little bit. But just -- I'd generalize it to choppiness across the portfolio coming into the fourth quarter. And as I think about just overall regional, Take 5, in particular, is a growing brand. So you're going to see differences more than anything else based on the maturity of the stores, right? So if we've got a market where the vast majority of the stores are less than 2 years old, well, that market is still ramping.

If you talk about a market like New Orleans, where the brand originated and we've been in that market for 30 years, that's a completely different profile. So Take 5 is still a dynamic, growing new business. And if you're looking for regional trends, it's going to be more proportionate to just the maturity of the stores in that market than anything else.

Operator

Your next question comes from Mike Albanese of Benchmark.

Michael Albanese

The Benchmark Company, LLC, Research Division

Can you just comment on the labor market, and I guess, overall strength of the labor pool in terms of hiring and retention?

Daniel Rivera*President, CEO & Director*

Yes. I mean -- specifically for Take 5, yes. Look, I'd say from our perspective at least, the team is having a fine job or doing a fine job hiring. It's not -- I'd say it's not any better or any worse than it's been trending kind of the entire year. We have a really strong and robust pipeline for bringing in employees at all levels of the organization, and it's something that we stay on top of. But I wouldn't say from a trend's perspective, it's any more or less worrisome than it's been the whole year.

Operator

[Operator Instructions] Your next question comes from Marvin Fong of BTIG.

Marvin Fong*BTIG, LLC, Research Division*

Nice quarter here. Most of my questions have been asked here, but just thought I'd ask on like Take 5 specifically, are you seeing any changes to the unit economic story? Is there some opportunity given sort of the macro to kind of take advantage of or maybe from lower lease expenses? Or conversely, are you seeing any increase in equipment costs or anything like that? Just any insight there would be great.

Daniel Rivera*President, CEO & Director*

Maybe I'll take kind of the first part of your question, and maybe Mike wants to take the second part. Generally speaking, we're really happy with the ramps that we're seeing across all of our vintages, right? I think some of the things that we've put out there, if you look at the vintages, 2023 and prior, they're all ramping -- well, on average, they're ramping to \$1 million AUVs within 24 months. So that continues to be true. We're quite happy with that. We see nice returns on our new stores and consistent ramps. And I'll put the same data point out there that I mentioned a second ago, if you're looking for one of the best testaments to the growth of the system and to the steadiness of the ramps, I'd look to 40% of our franchisees are on their -- either their second or their third ADA. So the reality is that if the units weren't ramping consistently and predictably, you just wouldn't see that level of investment. So we continue to be quite happy with the ramps that we're seeing.

Michael Diamond*CFO & Executive VP*

To the other point, I'll answer it in a couple of different ways, which is, I mean, absolutely, always look forward to opportunity to take cost out of the box and make sure we're getting the best rates possible. I think given the relative youth of our footprint, we still have a lot of lease term left in a lot of these as well as the fact that a small box size means that the lease expense doesn't necessarily carry the same weight as it does in some other instances. That said, we never missed an opportunity to have a discussion around what a good partner we are. And so making sure that we have those conversations with our landlord.

On the build cost, again, one of the advantages of the Take 5 model is a relatively low build cost to begin with, lower than some of our competitors in the industry, but that doesn't change our focus on making sure we continue to keep that advantage and find ways to make sure we are deploying money correctly to deliver the right experience, but not more than we need to. So it is absolutely an opportunity. We continue to take a look at it. But I would say it's probably more of an opportunistic opportunity than a big thing we need to focus on. Most importantly, like Danny said before, the unit level economics continue to be strong. We have a strong pipeline of both franchise builds and corporate stores going forward and feel really good about where Take 5 is positioned for future growth.

Marvin Fong*BTIG, LLC, Research Division*

Great. And maybe as a follow-up -- my follow-up, on the commentary that the insurance side of the collision business could be more like the second quarter, I'm acknowledging that there was a positive like trend here in the third quarter, but could you just kind of double click a little bit more on what you're seeing there? Is it the claims avoidance aspect of it? Or are you actually seeing something in the loss rates and the behavior of the insurance company that's also kind of driving kind of backpedaling in the trends there?

Daniel Rivera*President, CEO & Director*

Yes. I think it's nothing new per se, right? So you're talking it's claim avoidance, it's total loss rates. And then, I think it's also just the uncertainty that we're talking about heading into the fourth quarter, right? So I think when you put those 3 things in the blender, it leads us to believe that the fourth quarter will look more like the second quarter.

Operator

Ladies and gentlemen, there are no further questions at this time. That concludes today's conference call. Thank you for your participation. You may now disconnect.

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