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Driven Brands Holdings, Inc. (DRVN) Q4 2024 Earnings Call Transcript

Feb. 25, 2025 3:00 PM ET | **Driven Brands Holdings Inc. (DRVN) Stock** | DRVN

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Q4: 2025-02-25 Earnings Summary

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EPS of \$0.30 **beats by \$0.12** | Revenue of \$564.12M (1.89% Y/Y) **misses by \$8.83M**

Driven Brands Holdings, Inc. (NASDAQ:[DRVN](#)) Q4 2024 Earnings Conference Call February 25, 2025 8:30 AM ET

Company Participants

Joel Arnao - SVP, FP&A, Treasury and IR

Jonathan Fitzpatrick - President, CEO & Director

Daniel Rivera - EVP & COO

Michael Diamond - CFO, EVP & Interim Principal Accounting Officer

Conference Call Participants

Pedro Gil - Morgan Stanley

Justin Kleber - Baird

Madison Callinan - Canaccord Genuity

Chris O'Cull - Stifel

Vicky Liu - Bank of America Merrill Lynch

Phillip Blee - William Blair

Christian Carlino - JPMorgan

Tristan Thomas-Martin - BMO Capital Markets

Operator

Good morning, ladies and gentlemen, and welcome to the Driven Brands, Inc. Q4 2024 Earnings Conference Call. [Operator Instructions]. This call is being recorded on Tuesday, February 25, 2025. I would now like to turn the conference over to Joel Arnao, SVP of Finance and Investor Relations. Please go ahead.

Joel Arnao

Good morning, and welcome to Driven Brands fourth quarter and fiscal year 2024 earnings conference call. The earnings release and the net leverage ratio reconciliation are available for download on 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 and full year.

Before we begin our remarks, I'd like to remind you that management will refer to certain non-GAAP financial measures. You can find the reconciliation to the most directly comparable GAAP financial measures on the company's Investor Relations website and in its filings with the Securities and Exchange Commission. During the course of this call, we may also make forward-looking statements in regards to our current plans, beliefs and expectations. These statements are not guarantees of future performance, and are subject to a number of risks and uncertainties and other factors that could cause actual results and events to differ materially from 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. [Operator Instructions].

Now I will turn it over to my partner, Jonathan.

Jonathan Fitzpatrick

Good morning. Thank you for joining us today to discuss Driven Brands' fourth quarter and full year 2024 financial results. First, I want to acknowledge the hard work and great execution by the more than 10,000 Driven Brands team members and our amazing franchisees for how they continue to navigate an extremely dynamic macroeconomic environment. Secondly, I'm proud of our collective efforts for 2024. This was not an easy macro environment, and we delivered very solid results. Now our focus for 2025 is on 3 key priorities: number one, delivering our 2025 outlook; number two, utilizing accessory cash flow to reduce debt; and number three, active portfolio management.

Now I will begin with a review of our fourth quarter and fiscal year 2024 highlights, corporate initiatives, and then turn it over to Danny, who will discuss some of our operating segments, and then Mike, who will detail our fourth quarter financial results and full year outlook for 2025.

For Q4 2024, we delivered revenue of \$564 million, up 2% versus the prior year supported by 70 net new stores and 2.9% same-store sales growth. Our 16th consecutive quarter of positive same-store sales growth and adjusted EBITDA of \$130.7 million, generating diluted adjusted EPS of \$0.30. For fiscal year 2024, we delivered revenue of \$2.3 billion, and adjusted EBITDA of \$553 million, up 2% and 7%, respectively, versus the prior year. These results were driven by 191 net new stores and 1.3% same-store sales growth, generating diluted adjusted EPS of \$1.14.

We continue to be pleased by the performance of our Take 5 Oil Change and franchise businesses all being key contributors to a very solid 2024. As discussed on prior earnings calls, we anticipate that the ongoing inflationary environment will likely continue to pressure consumer spending for 2025 with lower income households being the most impacted. And we expect this pressure to be somewhat mitigated by the strength in our commercial and needs-based businesses, leading us to remain confident in our ability to navigate this dynamic environment. Mike will provide more details on our 2025 outlook shortly.

Now I'd like to spend a few minutes on some key corporate initiatives. Following a very robust sale process, we have entered into a definitive agreement to sell our U.S. car wash business. This will likely be a Q2 closing, and Mike will give more details on the impact of this announcement. To better reflect how we view the business, we will adopt a more simplified segment structure for reporting starting in Q1 of 2025. Firstly, our flagship growth driver, Take 5 Oil Change, will now be a stand-alone segment. This change should enable investors and analysts to more easily understand the performance of Take 5 Oil Change and the KPIs underpinning this double-digit growth business.

Secondly, we are consolidating our stable, predictable, high-margin, cash-generating franchise businesses into one segment. This includes our portfolio of needs-based franchise brands such as Meineke, Maaco, CARSTAR, 1-800, all scaled players in their respective categories. This is the core of Driven's business model. Growth from Take 5 and cash from our franchise segment. We will continue to report International Car Wash as a stand-alone segment. Finally, we are moving our early-stage glass businesses, which operate in the retail, commercial and insurance spaces under the Auto Glass Now banner into our Corporate and Other segment. We will continue to manage these smaller lines of business until they reach the scale to become a stand-alone segment.

While we remain very confident in the long-term opportunity for this business, we recognize it will take time to deliver growth. Now the team is continuing to make good progress on divesting our U.S. car wash pipeline properties. As a reminder, through Q3 2024, we had sold approximately \$160 million of assets. We sold an additional \$48 million in Q4, which puts the fiscal year 2024 total at approximately \$208 million. We are now more than 75% through this process and are confident we will complete this initiative in 2025. As I have previously mentioned, reducing our overall leverage remains one of our primary objectives. Our goal was to finish the year at 4.5x net debt to adjusted EBITDA or below, which we achieved in Q3 and further improved to 4.4x in Q4.

For the full year 2024, Mike and his team successfully paid down approximately \$248 million of debt. And Mike will walk you through the details and our focus now shifts to achieving our target of less than 3x leverage by year-end 2026 or sooner.

Now let me spend a few minutes on some key drivers of our results. Let's start with our biggest and fastest-growing business, Take 5 Oil Change the largest piece of our current Maintenance segment. Q4 2024 marks the 18th consecutive quarter of positive same-store sales growth for Take 5 Oil Change. And I'm very pleased with the 9.2% same-store sales growth in Q4, which resulted in 6.8% same-store sales growth for fiscal year 2024. In Q4, we opened 61 new stores, resulting in 174 net new stores for fiscal year 2024. Finally, compared to fiscal year 2023, revenue grew by 16% and EBITDA grew by 21%.

As a reminder, Driven acquired Take 5 Oil Change in 2016, with less than 60 company-owned locations and less than \$10 million of EBITDA. At the end of 2024, we had 1,181 locations, 40% of which were franchised, approximately \$1.4 billion in system sales and approximately \$355 million in adjusted EBITDA, all of this in less than 10 years.

Take 5 Oil Change is our #1 priority, and we are hyper-focused on continuing to drive unit growth, franchise mix, same-store sales, revenue and profits over the next 5 years. Over a 2-year period, our franchise store count has almost doubled, and we anticipate franchisees to account for approximately 50% of 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 1,000 sites in place, one that we built organically over the past 5 years and will continue to build.

We have direct real estate visibility into more than 1/3 of this pipeline, which provides us with a clear line of sight into the next 5 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 3 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. And 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.

Our franchise businesses, which today are spread across our Maintenance, PC&G, and Platform Services segments represent approximately 2/3 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, an asset-light providing Driven with consistent, predictable growth, compelling asset-light margins, and steady cash flow that allow us to fund growth and investment in our industry-leading Take 5 Oil Change brand. This is the compelling one-two punch of growth in cash flow. In addition to this one-two punch, we have other levers that we expect to drive growth over time for Driven, such as Auto Glass Now and our e-commerce marketplace, Driven Advantage.

Our focus in 2025 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.

Before I hand it over to Danny, I wanted to let people know that after 13 years, I will be stepping down as CEO after our Q1 earnings call in May 2025. At that time, Danny will be taking over as CEO, and will be joining the Board as part of a very robust multiyear succession planning process. Danny has been my partner for 13 years, and I know he'll be a great CEO. I'd also like to acknowledge our terrific CFO, Mike Diamond, who has made such a measurable impact in the time he's been with Driven. Finally, I'm excited to be staying on the Board as Chair and look forward to continuing to support Danny in his well-deserved new role and the future growth of Driven.

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

Daniel Rivera

Thank you, Jonathan. Before we begin, I would like to take a moment to acknowledge Jonathan for his incredible leadership over the past 13 years. During his tenure, Driven has grown from just under \$40 million in adjusted EBITDA to approximately \$550 million, a testament to his vision and execution. I'm honored to step into this role and build on the strong foundation he has created, and I want to personally thank him for his support and mentorship and I look forward to continuing to partner with him on the Board.

Driven Brands delivered a strong fourth quarter with financial results in line with our expectations for both the quarter and the full year. I'd like to extend a sincere thank you to all of our Driven Brands employees and franchisees who worked tirelessly to keep our customers on the road. Our Maintenance segment continued to demonstrate consistent growth, delivering year-over-year increases in system-wide sales, revenue and adjusted EBITDA in the fourth quarter.

Take 5 Oil Change, home of the stay in your car 10-minute oil change, once again led the segment. Q4 marks the 18th consecutive quarter of positive same-store sales growth for Take 5, supported by increases in system-wide sales, revenue, EBITDA and EBITDA margins both year-over-year and sequentially. Same-store sales for the quarter were particularly strong at 9.2% and 16.1% on a 2-year stack. Our strong performance was primarily driven by ticket growth. Non-oil change services continue to be the largest driver of ticket growth with premiumization customers opting for higher quality oils serving as a secondary contributor. Non-oil change revenue consists of the sale of engine air filters, cabin air filters, wipers, coolant exchanges, and fuel cleaner, which represented just under 20% of Take 5's total system-wide sales.

We expect continued growth of non-oil change revenue as we continue to improve both the attachment rate on existing services and as we broaden our overall portfolio of services. Today, premium oils, which we define as semisynthetic and full synthetic oils, account for approximately 90% of our oil changes. However, advanced full synthetic, our most premium oil accounts for approximately 35%. We see continued runway to expand advanced full synthetic adoption, which remains a long-term tailwind.

Take 5 also benefited from a sequential acceleration in transactions, driven by our strategic marketing initiatives. Our combination of broad reach brand campaigns, and cost-efficient data-driven local campaigns continues to deliver strong customer acquisition and retention. With an industry-leading Net Promoter Score in the upper 70s, thanks to our fast friendly and simple business model, Take 5 maintains high levels of customer loyalty and repeat business.

Our focus on new unit growth, driving transactions, enhancing ticket by focusing on non-oil change revenue and the organic tailwinds with premium oil and optimizing our cost structure, resulted in adjusted EBITDA growth of 21% year-over-year and EBITDA margins of 33.3%, a 144 basis point improvement year-over-year. Take 5 experienced strong momentum in Q4, reinforcing its solid positioning in the market. While we expect its growth to remain healthy, we would anticipate a more normalized level of same-store sales growth in 2025, and setting a solid foundation for sustained long-term success.

Take 5 success driven by its people, our techs, shop managers, field leaders and franchisees who deliver exceptional service every day. Investing in our front lines remains a priority. And in January, we hosted our seventh annual Take 5 rally in Orlando, bringing together over 90% of our franchisees along with all corporate shop managers and field leaders. This event was both a celebration of our shared success and a moment to align our priorities for 2025. The energy and enthusiasm reinforce our culture and commitment to service, positioning Take 5 for even greater success in the year ahead.

Our Paint, Collision & Glass segment delivered revenue of \$97.3 million, adjusted EBITDA of \$33 million, and adjusted EBITDA margins of 33.9% in Q4, despite a 7% decline in industry-wide collision repair estimates according to industry sources, our Collision business continued to gain market share as evidenced by the segment same-store sales increasing 1% for the quarter. This success is largely due to our expanding direct repair program partnerships across more than 1,900 locations in the U.S. and Canada. Our company-owned U.S. glass businesses under the Auto Glass Now banner, made continued progress in their multiyear strategy. In Q4, we delivered sequential growth in same-store sales as we remain focused on expanding our relationships with regional insurance carriers and major commercial partners, both of which experienced growth during the quarter. We remain optimistic with the momentum in this emerging business.

Our Platform Services segment primarily comprised of 1-800-Radiator, delivered revenue of \$40.2 million, adjusted EBITDA of \$16.3 million, and adjusted EBITDA margins of 40.4% in Q4. In the fourth quarter, the Car Wash segment reported revenue of \$143.4 million, adjusted EBITDA of \$28.7 million, and same-store sales growth of 7.9%. As Jonathan mentioned, we have decided to sell the U.S. car wash business. I'd like to thank Tim Austin and the entire U.S. car wash team for the incredible work they've done in the last year to stabilize the business. I'd also like to thank Tracy Gehlan and her team for another great quarter and for providing such a solid foundation to the Car Wash segment. As a result of their combined efforts, the segment delivered sequential improvements in same-store sales, system-wide sales, revenue, EBITDA, and EBITDA margins.

Looking at 2024 as a whole, I am very proud of the Driven Brands team, both corporate employees and franchisees who helped deliver another strong year. Take 5 Oil Change continues its rapid expansion, opening 174 new locations to surpass 1,100 total stores, all while achieving its 18th consecutive quarter of same-store sales growth and surpassing \$1 billion in revenue and \$350 million in EBITDA. Our franchise businesses delivered another year of strong profitability with EBITDA margins exceeding 50%, continuing to generate substantial cash flow for the company. Our International Car Wash business delivered another strong and predictable year of performance, while our U.S. car wash business stabilized and grew to over 1 million members.

Our Glass businesses under the Auto Glass Now banner successfully transitioned from an acquisition and integration phase to a growth-focused strategy, resulting in year-over-year improvements in EBITDA and EBITDA margins all while securing partnerships with most major national rental car companies and landing its first regional insurance carrier third-party administrator deal under the Driven Brands umbrella. We remain confident in our long-term strategy and are well positioned for continued profitable growth in 2025.

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

Michael Diamond

Thank you, Danny, and good morning, everyone. I want to start by thanking Jonathan for everything he has done for Driven Brands over his 13 years at the company. While he and I have only been working together for a short period of time, I have enjoyed tremendously working with him, and I'm looking forward to maintaining an active dialogue in his new role as Chairman of our Board. I also want to congratulate Danny in becoming I. I made sure to spend ample time with Danny as I was interviewing for the Driven I opportunity, aware of the succession plan to appoint him I if and when Jonathan ever decided to step down. I am excited to work with Danny on helping further Driven's growth and have appreciated his leadership and partnership during my first 7 months here at Driven. Turning now to our Q4 results.

Driven recorded its 16th consecutive quarter of same-store sales growth, increasing 2.9% in Q4, our strongest quarter of 2024. The Overall, Driven added 70 net additional units this quarter, of which 51 were asset-light franchise locations. Take 5 Oil Change led the way with 61 units in Q4. System-wide sales for the company grew 5.5% in Q4 to \$1.6 billion. Total revenue for Q4 was \$564.1 million, an increase of 1.9% year-over-year.

Q4 operating expenses increased \$374.7 million year-over-year. Key drivers of this increase include a \$317.9 million increase in asset impairments, primarily related to the U.S. car wash segment tied to the completion of our strategic review, a \$21.7 million year-over-year rise in company and independently operated store expenses, driven by increased marginal variable expenses from higher sales volumes in our Take 5 Oil Change and International Car Wash businesses, an increase in SG&A of \$43.4 million, driven by higher performance-based compensation and losses from the disposal of assets tied to the strategic review of our U.S. car wash segment.

Operating income declined \$364.3 million to negative \$318.8 million for Q4. Adjusted EBITDA increased 4.6% to \$130.7 million for the quarter. As a reminder, Q4 2024 growth came without the benefit of I Vitres, which we divested in August but the results of which are still included in our 2023 results.

Adjusted EBITDA margin for Q4 was 23.2%, an increase of roughly 60 basis points versus Q4 last year. Interest expense for Q4 was \$37.7 million, \$6.2 million lower than Q4 last year, driven primarily by ongoing debt paydown. Income tax benefit for the quarter was \$59 million. Net loss for the quarter was negative \$312 million. Adjusted net income for the quarter was \$48.4 million. Adjusted diluted EPS for Q4 was \$0.30, driven by strong operating performance and continued debt paydown.

Turning to liquidity, leverage and cash flow for Q4. Net capital expenditures for the quarter were \$35.8 million, consisting of \$69.2 million in growth CapEx, offset by \$33.4 million in sale-leaseback proceeds. Q4 was another strong quarter in our divestiture of assets held for sale. In the quarter, we generated an additional \$48 million of cash from divested sites. For the full year, proceeds from assets held for sale were \$208 million. We have now sold through more than 3/4 of our assets held for sale, so do expect a modest amount of proceeds in 2025 as we complete our divestitures. We utilize this cash to continue executing our strategy of systematic deleveraging. We ended Q4 with net leverage of 4.4x net debt to adjusted EBITDA, reflecting a debt paydown of \$76 million a quarter. As of today, we have paid down an additional \$35 million against the revolver in Q1.

Turning to our full year results. Full year 2024 was a successful year of growth for Driven despite the challenging macroeconomic environment. Financial highlights include system sales growth of 3.6% to \$6.5 billion, reflecting same-store sales growth of 1.3% and net unit growth of 191 units or 3.8%. Revenue grew 1.5% and reflecting system sales growth, offset by 4 fewer months of I Vitres in 2024 and the refranchising of a small number of stores in our PC&G segment. Of the 191 net new units, Take 5 Oil Change added 174 units in 2024, of which 108 were franchise units and 66 were company-operated stores. Operating expenses declined 17% to \$2.5 billion, driven by lower impairments in 2024 and 2023, offset in part by higher SG&A, driven by share-based compensation, higher performance-based compensation, and losses from the disposal of fixed assets tied to the strategic review of our U.S. car wash business.

Operating income was negative \$140.2 million. Adjusted EBITDA grew 6.9% to \$552.7 million. Interest expense was \$157 million, a decline of \$7.2 million driven by continued debt pay down. Net loss was negative \$292.5 million. Adjusted net income was \$186.3 million, income tax benefit of \$25.1 million, diluted EPS of negative \$1.82, adjusted diluted EPS of \$1.14. For the full year, net capital expenditures were \$237.1 million. For the full year, we paid down \$248.6 million of debt.

I'd now like to provide our outlook for the 2025 fiscal year. As Jonathan mentioned, we continue to see pressure on consumer spending, especially among our lower income consumers. That said, as we enter 2025, we anticipate another year of growth across the Driven portfolio as we leverage our market leadership position and disciplined cost management. With the announcement of the sale of our U.S. car wash business, that business will be treated as discontinued operations for 2025 until the transaction closes. As such, this guidance reflects a full year excluding our U.S. car wash business, but assuming no other changes to our portfolio. Revenue, between \$2.05 billion to \$2.15 billion; adjusted EBITDA, between \$520 million to \$550 million; adjusted diluted EPS of \$1.15 to \$1.25 per share, same-store sales of 1% to 3%.

We recognize there continues to be a lot of uncertainty related to the macro environment, including ongoing inflationary pressures on consumer spending and the potential impact of tariffs. While we believe the nondiscretionary nature of our business model and the flexibility of our supply chain provide us with a solid foundation, we want to take a prudent approach to our outlook. Our quarterly distribution of both revenue and adjusted EBITDA will change modestly in 2025 due to the divestiture of I Vitres in the third quarter of 2024 and the sale of our U.S. car wash business. We expect the first quarter to account for slightly more than 20% of our 2025 full year revenue and adjusted EBITDA, and the second half of 2025 to contribute a percentage in the low 50s for our full year revenue and adjusted EBITDA.

In addition, we wanted to provide additional color on other important operating metrics for FY 2025. Net store growth between 175 and 200 units, net capital expenditures between 6.5% and 7.5% of revenue. The largest driver of net capital expenditures is our Take 5 Oil Change business where we will continue to invest in high-return company-operated locations in targeted markets. Interest expense of \$125 million to \$130 million, reflecting both lower interest expense from debt paydown tied to the sale of our U.S. car wash business, and the interest income received from that transaction seller note. An effective annual tax rate of 26% to 27%. We maintain our commitment to achieve our net leverage target of 3x by the end of 2026.

Free cash flow in 2025, which will be positive given EBITDA generation and our lower CapEx and interest expense, will primarily be used to pay down outstanding debt on both the revolver and term loan. As Jonathan mentioned, we will change our operating segments in 2025 to better highlight the growth drivers of this business. Moving forward, our segments will be as followed: Take 5, comprising both our company-operated and franchised Take 5 Oil Change stores. We view this business as the growth engine of Driven, supported with the majority of our capital expenditures going forward. Franchise brands, comprising the wide portfolio of automotive brands, including Meineke, Maaco, CARSTAR, 1-800-Radiator and others, this segment is over 99% franchised. This stable business will provide strong free cash flow with de minimis CapEx needs. Car Wash International, our remaining car wash business is based outside of North America. This business features an independent operator model that has many of the same benefits as a franchise model and is stable with modest amounts of maintenance low CapEx.

Corporate and Other, our Glass businesses, including the retail and commercial components of this business as well as the insurance business under the AGN banner and our corporate G&A, including functions such as IT, finance, legal, and HR are housed in our Corporate and Other segment. We believe that glass is a long-term growth driver for Driven. And given its current size and profile, we will let these businesses incubate within the broader Corporate and Other segment.

We will begin reporting these new segments as part of our Q1 2025 quarterly parts. To aid in modeling, we plan to circulate quarterly unaudited pro forma results for FY 2024 in the new go-forward segments. This disclosure will be posted on our Investor Relations page in mid-March before we complete Q1. As we enter 2025, we are well positioned within the broader automotive services industry and confident in our ability to drive growth.

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

Question-and-Answer Session

Operator

[Operator Instructions] Your first question comes from Simeon Gutman with Morgan Stanley.

Pedro Gil

This is Pedro Gil filling in for Simeon. My question is about your 2025 outlook. You're guiding to an adjusted EBITDA of \$535 million at the midpoint, which is a \$100 million increase relative to your adjusted EBITDA, excluding car wash in 2024. So could you please give us some color how you expect to generate so much growth? And what the composition is going to be by segment?

Michael Diamond

Yes. This is Mike. I'll answer that one. I'm not sure I follow your math exactly, but I would highlight a couple of different points that I think are important as you think through our 2025 outlook. I think first, for context, it's probably helpful to know that our U.S. car wash business comprised approximately \$50 million of adjusted EBITDA. And so as your as you're thinking through kind of the apples-to-apples comparison, that's probably a helpful guide point in terms of relative to the performance we had in 2024. It's also worth acknowledging that 2024, as mentioned, still has roughly 8 months of PH Vitres in it, which we won't have in 2025, given we divested that in September.

Other than that, when you think about growth, first and foremost, it comes down to Take 5. Hopefully, that came out in the remarks. We believe Take 5 is our growth engine. We have very strong results in Q4. As Danny mentioned, we continue to see strong momentum, albeit at a normalized growth rate for 2025. And strong unit pipeline, great engagement from franchisees, good customer reaction and some upside even as we talk about the premiumization of oil as well as some of our other add-ons there. So that's not to say the other parts of the business, we don't see opportunity, but I think when you look at the pro forma apples-to-apples and just combined with the growth rates, we're trying to be prudent in our numbers, but feel very comfortable about our opportunity to grow next year.

Pedro Gil

Got it. So just to be clear, of the \$117 million for the full year in the Car Wash segment in adjusted EBITDA that we see in 2024, you're saying \$50 million are allocated to the U.S. car wash, which is the business that you're selling and the remainder, i.e., \$67 million are originated from the International Car Wash businesses, is that correct?

Michael Diamond

Correct. Yes. And you can tell from the revenue and the disclosures, correct. The company-owned stores are U.S. business and the independently operated stores on the sales line are our franchise business -- our international business.

Pedro Gil

So you're effectively selling the business at an 8x EBITDA valuation?

Michael Diamond

Again, all these numbers are approximate, but yes, that's -- I mean, the U.S. car wash business does roughly \$50 million of EBITDA.

Operator

Your next question comes from Justin Kleber with Baird.

Justin Kleber

Jonathan best wishes in the future, and congrats, Danny, on your new role. Just a few questions as it relates to the guidance, Mike, a follow-up there, maybe for you. If I go back to the Analyst Day, which was obviously before your time, but just thinking about what the company outlined for Take 5 Oil, it seems like that business could be generating at least an incremental \$50 million of EBITDA this year, if not more. I guess, number one, is that fair? And then as a follow-up, you mentioned in the script more normalized same-store sales growth in '25, can you maybe put a finer point on that just as it relates to Take 5?

Michael Diamond

Yes, I'd say a couple of different things. I'd start with the boiler plate. We're not going to provide specific subsegment guidance for '25, although, obviously, if you think about overall sales growth, the mix of corporate-owned stores, and franchise stores and the pipeline we see for 2025 and beyond, we continue to believe that the Take 5 business is an incredibly powerful platform with high growth potential that we think has some good runway for future growth, both on the top line and on the EBITDA line. As it comes to our normalization comment related to Take 5, I think that's as much just a recognition that this quarter was particularly strong for Take 5 this quarter being Q4 at over 9%, and as we think through '25, we want to be truthful and appropriate that I don't think it's fair to model that going forward.

We still see growth. Danny highlighted, I think, some of the really key levers we see in our ability to continue to drive that business. really to increase premiumization and the ability to add additional services. But as you think about a growing business that is starting to reach critical mass, a normalization below 9% is probably more realistic.

Justin Kleber

That's very helpful. And just one follow-up. Looking back to 4Q. Can you just expand a bit on what drove the modest what's like a 30 basis point decline in maintenance segment EBITDA margins? Is that Meineke and some of the other brands within Maintenance? Just curious maybe how Take 5 EBITDA margins look specifically in 4Q relative to last year?

Michael Diamond

Yes. No. I mean, I think in general, we're very pleased with where the -- where were the margin profile of our overall businesses and especially our Take 5 business. As a reminder to our audience, obviously, there's some -- in our current segmentation, which will go away with our resegmentation, we do have some franchise businesses related to that Maintenance segment that can sometimes obfuscate the margin. But I think, in general, for Take 5, we feel very good about that margin profile and our ability to continue that going forward.

Operator

Your next question comes from Brian McNamara with Canaccord Genuity.

Madison Callinan

This is Madison Callinan on for Brian. Could you give a little more color on the maintenance CapEx for the U.S. cars business?

Michael Diamond

Well, I mean, I think -- so a couple of comments, right? The maintenance CapEx on the U.S. car wash business going forward will be treated as discontinued operations, given our decision to sell the business. And so at least on a go-forward perspective. In theory, those numbers really won't run through the "go forward financial statements," To the extent there would be maintenance CapEx it would be a modest amount used or upkeep of the tunnels and the sites we have. CapEx full U.S. car wash business in 2024 was still high, partly because we got a lot of assets held for sale.

And as Jonathan and I both mentioned, we did, I think, a pretty good job of getting through a lot of that this year, generating a lot of incremental proceeds for the business. But that does, in some instances, require some CapEx to get those ready for sale. But in no way is the number we had in 2024 representative of what we would expect to spend going forward.

Madison Callinan

Great. And then my second question, collision comps are outperforming the industry. Is there anything you're seeing there in terms of trends?

Jonathan Fitzpatrick

Yes. Madison, it's Jonathan here. Look, our franchisees, the approximately 1,900 stores we have, have been growing direct repair programs, our DRPs for many, many years. We grow those programs because the trust that our insurance partners have in our franchisees to deliver great service to our customers. So I think we're outpacing the industry because of the execution from our franchise franchisees across both the U.S. and Canada.

We also believe that some of the overall industry claims been down, probably macro-driven we've got some pressure on the lower end consumer. Certainly, insurance premiums have more than doubled over the last 4 to 5 years. So I think we see some reticence from our customers to actually file claims, but we're incredibly pleased with our franchise performance and expect that trend to continue.

Madison Callinan

Great. And if I could just sneak a quick one in there. Corporate costs were up a bit in Q4. Any color on what drove that?

Michael Diamond

Yes. I mean I think there's a couple of the big drivers. One is performance-based compensation, which, look, we're always happy to pay because it means we did good performance. There's also some share-based compensation noise related to the IPO grants from late last year that we lapped. So I would say, in general, it's good news in that when you have performance and you pay performance-based comp, that's what it's there for, and it helps reward our hard-working employees for the efforts they did. But in general, we are focused on making sure as much of the dollars we generate on the top line flows through to the bottom line.

Operator

Your next question comes from Chris O'Cull with Stifel.

Chris O'Cull

Can you help us understand the breakdown of the unit guidance between the Take 5 system and the rest of the segments, and maybe between company-operated versus franchise stores. And then I believe the unit growth guidance implies net unit growth of roughly 3.5% to 4%, which is flat to down, I guess, over '24 when you exclude the U.S. car wash business. So can you provide some color on the strength of the pipeline, particularly at Take 5?

Michael Diamond

Yes. I'll give you several different answers here that hopefully get to your question. I think first and foremost, it's the line you're going to continue to hear me say around really any sort of guidance-related metric. Our goal with this guidance was to make sure we were honest and prudent in our perspective going forward given the uncertainty in the macroeconomic environment and just the desire to make sure that we set off the year on the right foot. From a unit specifically, if you look at our range of 175 to 200, I think the significant majority of that will come from the Take 5 pipeline, which is strong.

We continue to feel very good about our pipeline, both company-owned and franchisee, not just on a year-to-year basis, but as Jonathan mentioned, with over 1,000 sites in the pipeline, we feel really good about that. On any given year-to-year basis, the number of corporate-owned or franchise-owned will vary a little bit. But as we mentioned historically, we typically opened 2/3 of our Take 5 stores as franchised, with about 1/3 company-owned, and would expect roughly over the next several years that to hold.

Danny mentioned the Take 5 rally we had, which was not only a company attended event, but franchise, very well attended. I would say, growth outside of Take 5 will largely come from our portfolio of franchise brands going forward in the collision and some of the glass space are franchised. But in general, we feel good about the pipeline. We want to be prudent. We also recognize that we have a much high base every year as we continue to grow more and more stores. And so that may make the percentage moderate a little bit just given the higher base every year.

Chris O'Cull

Okay. That's helpful. And then, Mike, just given some of the -- or given the structure of the car wash transaction, can you help level set us by letting us know where you expect leverage to fall initially, and then maybe the glide path over the rest of the year as the company works towards its leverage target by the end of '26?

Michael Diamond

Yes. So I mean I would say a couple of things. To your point, with the existence of the seller note, expect leverage to be largely neutral with net proceeds from the transaction. That said, we continue to see strong free cash flow this year. As we mentioned with some of our CapEx outlook from 6.5% to 7.5%, that gives us the ability to generate some meaningful free cash flow. We will use the proceeds. We will use the proceeds of the deal to pay down some debt. That's on top of the over \$30 million we've already paid down in Q1 this year. We also mentioned we had some additional assets held for sale that we expect to be able to transact through this year as well. So our -- it's going to continue to be a drumbeat of deleverage as we move through the year, not going to provide specific quarter-by-quarter numbers other than we still feel comfortable on our path to 3x net leverage by the end of 2026. And we'll -- I think you'll continue to see us methodically move through the deleverage as we generate free cash flow.

Operator

Your next question comes from Robby Ohmes with Bank of America Merrill Lynch.

Vicky Liu

This is Vicky Liu on for Robby Ohmes. Have we started seeing the benefit from TPA materialize into revenue for Auto Glass Now? And then could you speak to what drove the margin improvement in PCG.

Daniel Rivera

Vicky, this is Danny. So to the first part of your question, so we -- the TPA deal that you're alluding to, we landed that deal back in Q4 or Q3 of 2024. That contract actually became active in Q1. So signed a deal last year, but obviously, there was an incumbent that we took over the business from and the contract became active in Q1. So literally, as we speak, we're activating that account and operationalizing it and you should see those numbers start to flow through into Q1 and Q2 of this year in the business.

I'd say, from a broader perspective on Auto Glass Now, the focus really hasn't changed. So we are very focused on growing top line. We've said that we want to focus in on really growing our regional and national insurance, and commercial, we grew both of those sides every quarter last year, and that continues into this year, and so the team remains very focused on landing the accounts. And then obviously, once the accounts -- the contracts become active operationally -- operationalizing those at the ground level.

Vicky Liu

And then for Take 5, where do you see the attachment rate go? And I guess, what other services would you consider adding?

Daniel Rivera

Sure. So as it relates to attachment rate, so I've mentioned this before. So we have 5 non-oil change services today. Had you asked me this question a couple of years ago, would have been 4. So we have been growing the number of services. As far as ceiling is concerned, I look at it 2 ways: Attachment rates are in the high 40s for us on our existing pipe services, that's been growing for some time now. We have both corporate and franchise locations that have attachment rates into the 60s. So I don't see any short-term ceiling with the existing services that we provide.

And to your point, we can and we have, in the past, added services, we'll continue to add services over time. I'm not going to get into what specific services we're looking at, but suffice it to say, we know that we can grow the portfolio of services here, and we plan to do so.

Operator

Your next question comes from Phillip Blee with William Blair.

Phillip Blee

Appreciate the question. Can you talk a bit more about what the separation of the car wash business will look like? Is there an opportunity for labor to be funneled through into some of the remaining businesses or any other cross-functional efficiencies? And then what's your plan for European Car Wash segment longer term?

Jonathan Fitzpatrick

Phil, Jonathan here. Yes, look, when we sell the -- or consummate the transaction probably likely in Q2, there won't be really any sort of overlap with existing car wash employees with other opportunities within the business. So I think, look, ultimately, Mike will probably drive some SG&A synergies out of that business over time, but we're not modeling that in right now.

And then secondly, on the International Car Wash business, as Danny mentioned, Tracy Gehlan and the team in Europe have been doing a phenomenal job the last 3 to 4 years. It's an independently operated business, which is similar to franchise, very stable, and consistent performance and very stable margins. So we will continue to own and operate that business, all with the umbrella within Driven that we will remain active portfolio managers. So we will continue to assess various components of the organization and the International Car Wash business certainly would fall under that umbrella.

Phillip Blee

Okay. Great. And then I guess, any renewed appetite for M&A as part of this, and I just was asking broader strategic portfolio review, largely still an active part of your strategy going forward?

Jonathan Fitzpatrick

Yes. I mean we have historically been highly acquisitive. I think we've now got our brands and segments to the right scale. So we're more focused on organic growth. That being said, we look at all assets that sort of trade in the automotive aftermarket space. And if something appears accretive and an opportunity for us, we'll certainly take a look at it. But as we look at 2025 and beyond, we're not modeling in any significant M&A activity.

Operator

Your next question comes from Christian Carlino with JPMorgan.

Christian Carlino

Congratulations to Danny and Jonathan. First, Auto Glass Now is the second growth lever after Take 5. So could you just expand on why it's not growing, broken out and sort of what's the plan there? Is there a time line for when you will break it out? And then just stepping back, could you help us bridge the gap between the prior \$850 million target and what the business looks like now, you're losing \$50 million for car wash. So is the rest of the shortfall AGN? Or is it -- is Take 5, not where you thought it would be? And just help us understand the puts and takes there.

Jonathan Fitzpatrick

Christian, I'll start with the \$850 million and certainly some of the baloney that we've had to deal with, with this over the last couple of years. We gave that target for 2026, a couple of years ago at our Investor Day. And really, the business has changed fundamentally since we gave that target. So one of the things that we've entered into now is this period of active portfolio management. And we started that with the sort of PH Vitres last year. We've now just announced the car wash divestiture, which will happen at some point in Q2.

So I think fundamentally, the \$850 million has been removed from our internal strategy and goals. What we are absolutely focused on is continuing to pay down debt to get to that 3x leverage to grow our flagship Take 5 brand. We'll show that with the segmentation this year and really focused on hitting and delivering our 2025 outlook. So I would say, that the \$850 million is no longer relevant, and we look forward to executing on all our plans for 2025.

And then I'll let Mike maybe or Danny talk about AGN questions.

Michael Diamond

Yes. I'll just -- I'll answer that. It's as much just given the overall size of the portfolio where it is today. The fact that it's under 1 banner, but a couple of different businesses, 1 that services insurance customers, which has a longer different sales cycle than some of the retail and commercial -- we thought it best to incubate it within corporate and other. It's obviously an important part of the business. We still spend some time talking about it, but believe it's most important to focus on growing that business and getting it to a point where it's ready to shine, and then we'll evaluate that then. But it's largely a size-based determination, given the sales of the various components there and the size of the EBITDA, I thought it more appropriate to fit with the Corporate and Other, given some of the other support it requires across our corporate business.

Christian Carlino

Got it. That's all really helpful. And it seems like excluding the car wash business, you're implying roughly flat margins this year on a like-for-like business with positive comps and unit growth. So could you help us think through the puts and takes there? Is it just prudence,? And is anything embedded into sales or margins for tariffs?

Michael Diamond

Yes. I mean I would say, first of all, thank you. You hit the bingo word, right, appropriately, which was prudence. We're trying to be appropriately prudent as we lay out our perspective for 2025. Obviously, it's a dynamic macroeconomic environment. We've tried to reflect the current operating environment as we see it today. Given we're in a nondiscretionary category, tariffs have an interesting little wrinkle in our ability to potentially price as we need to for some of those increases as we see it.

I think in general, we do expect to have same-store sales growth between 1% to 3%, we expect to manage our business as tightly as possible, and I made a previous comment around being able to flow as much down to the bottom line. So we're really just focused on operating these businesses as best we can and making sure we continue to drive growth.

Christian Carlino

Got it. And I guess 1 clarifying just given the franchise mix of the business and where potential tariffs would impact you, is it fair to say it's a net benefit given you passed the franchisees to pass along to the extent they can, the higher prices in sales, but they would face the incremental costs from that, which wouldn't flow through to the broader business.

Jonathan Fitzpatrick

Christian, we don't think of it like that. Our franchisees expected to pick up the burden. What we think about is that we operate in needs-based services where we have arguably some pricing power than the event we need to pass on to our customers, we will. But we're also very conscious that there's been a lot of price taking over the last 3 to 4 years. So again, I think Mike's commentary is really just a potential thing that we need to deal with, but certainly, we wouldn't be looking for our franchisees to absorb all of that.

Question-and-Answer Session

Operator

[Operator Instructions] Your next question comes from Tristan Thomas-Martin with BMO Capital Markets.

Tristan Thomas-Martin

Just one kind of clarification question. I think you called out AGN insurance partnerships grew year-over-year. Does that mean you've captured more insurance partnerships or the partnerships themselves expanded?

Daniel Rivera

Both. I think the answer to both of those questions is yes, we grew overall insurance partnerships over 2024 and the individual partnerships that we've had historically have also seen some growth.

Tristan Thomas-Martin

Okay. And then just can you maybe talk a little bit more about some of the Take 5 marketing initiatives and kind of what your plans are for 2025?

Daniel Rivera

Sure. Happy to answer that. So Take 5 from a marketing perspective, we've been deploying the same strategy here for some time. And we really -- I mentioned in my prepared remarks, we saw it pay some dividends in Q4 as we saw some nice sequential growth quarter-over-quarter. So it's kind of been a 2-part strategy. I'm not going to get into a lot of competitive specifics, but we do a broad reach brand strategy across all of our DMAs. We want to be always on. We want to be top of mind for our consumers so that when that oil change light pops on, they immediately think of Take 5.

And then we've got a second lever, which is this data-driven local campaign approach. So that is a more refined -- we look at specific DMAs, specific cohort customers where we see unique opportunities, and we deploy some investment to go capture those eyeballs. So that 1, 2 punch we've been deploying for some time now, and it paid some nice dividends in Q4.

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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