

Driven Brands Holdings Inc. (DRVN) Q4 2025 Earnings Call Transcript

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Q4: 2026-05-19 Earnings Summary

Insights



EPS of \$0.34 **beats by \$0.10** | Revenue of \$460.10M (-18.44% Y/Y) **beats by \$4.64M**

Driven Brands Holdings Inc. ([DRVN](#)) Q4 2025 Earnings Call May 19, 2026 8:30 AM EDT

Company Participants

Steve Alexander - Senior Director of Investor Relations

Daniel Rivera - President, CEO & Director

Michael Diamond - CFO & Executive VP

Conference Call Participants

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

Brian McNamara - Canaccord Genuity Corp., Research Division

Skylar Tennant - Morgan Stanley, Research Division

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

Marvin Fong - BTIG, LLC, Research Division

Robert Ohmes - BofA Securities, Research Division

Patrick Johnson - Stifel, Nicolaus & Company, Incorporated, Research Division

Tristan Thomas-Martin - BMO Capital Markets Equity Research

Presentation

Operator

Good day, everyone, and welcome to Driven Brands' Fourth Quarter 2025 Earnings Call. Please note, this call is being recorded. [Operator Instructions] I'd now like to hand the call over to Steve Alexander. Please go ahead, sir.

Steve Alexander

Senior Director of Investor Relations

Good morning. Welcome to Driven Brands' Fourth 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. [Operator Instructions] Now with that, I'll hand the call over to Danny.

Daniel Rivera

President, CEO & Director

Good morning, and thank you for joining us to discuss Driven Brands' fourth quarter and full year 2025 results. Before discussing our results, I want to directly address our recent restatement. I'd also like to thank our shareholders for their patience as we completed this work with the rigor and accuracy it required. There are 4 questions I'd like to address directly. What happened, what were the root causes, why these issues were identified now? And what are we doing to help ensure this does not happen again.

Beginning with what happened. During our 2025 year-end closing process, we identified 3 issues requiring further review related to lease accounting, Auto Glass Now cash accounting and expense mischaracterization with Driven Advantage, each related to prior periods. As we review these matters further, we determined that there were material errors requiring the restatement of prior financial statements. We engaged our Audit Committee, external auditors and outside advisers to conduct a comprehensive review of our previously issued financial statements. From the outset, we established 2 guiding principles. We would prioritize accuracy and completeness over speed, and we would take a broad and disciplined approach, reviewing all relevant areas to reduce the risk of identifying additional issues in future periods.

Consistent with that approach, our review identified additional items requiring adjustment. The result is a comprehensive restatement across multiple prior periods and financial statements designed to help establish a reliable financial foundation going forward. In a moment, Mike will walk through some of the specific adjustments in detail. At a high level, the impacts include revenue reductions of \$12 million in 2023, \$4 million in 2024 and \$5 million in 2025 and a reduction in adjusted EBITDA of \$57 million in 2023, \$12 million in 2024 and \$8 million in 2025. Turning to root causes. The majority of the issues trace back to 2023, 2022 and prior, a period of significant acquisition and integration activity for the company. During that time, we expanded into 2 new verticals, car wash and glass and launched a new digital solution for our Driven Advantage marketplace.

While the underlying issues are varied, they can be grouped into 2 primary drivers. First, the pace and complexity of growth outstripped the scale and maturity of certain back-office people, processes and controls. Second, as the business grew in scale and complexity, we recognized the need for a more integrated and scalable ERP environment, which led to the decision in 2023 to consolidate multiple ERPs to Oracle with the system going live in mid-2024. Turning to why this was identified now. The answer is straightforward. We have strengthened both our team and our systems. Mike joined as CFO in the third quarter of 2024 and strengthened the finance leadership team, including the appointment of a new Chief Accounting Officer and other key roles. He also assumed direct oversight of the then in-progress Oracle implementation, helping operationalize the system and enhance the control environment.

These improvements in both personnel and systems enabled us to identify issues that had previously not been accounted for properly. Lastly, what are we doing to help prevent this from happening again? First, as I've outlined, we have strengthened and will continue to invest in our finance leadership, systems and processes. Second, once a restatement became necessary, we deliberately broadened the scope of our review beyond the initially identified issues. Our objective was to address all relevant matters now rather than risk identifying additional issues in future periods. Third, Driven Brands is a simpler, more focused company today. Since 2023, we have streamlined our portfolio, including the divestitures of U.S. Car Wash, International Car Wash and PH Vitres, and we have completed the integration of Auto Glass Now. During that time, we have also not entered into any new verticals.

As a result, Driven today is focused on core businesses that we know well and have operated for many years. This has been a challenging but important process, and it has increased our confidence in the team and systems we now have in place. We identified the issues, restated the financial statements and are strengthening our controls. That foundation positions us well as we move forward. With an improved and still improving financial and control foundation in place, our focus now is on executing our strategy, delivering consistent performance and maximizing long-term shareholder value.

Now turning to our 2025 results. 2025 was a foundational year for Driven Brands as we executed our growth and cash strategy. We simplified our portfolio by exiting noncore businesses and sharpening our focus on nondiscretionary automotive services in North America. We also materially strengthened the balance sheet, paying down \$545 million of debt and reducing net leverage to 3.7x by year-end. We continued to execute on this strategy in the first quarter of 2026, completing the sale of our International Car Wash business in January and using the proceeds to pay down more than \$470 million of additional debt, bringing our pro forma net leverage to 3.3x.

Alongside these portfolio and balance sheet actions, we also executed with discipline across the business, delivering against our 2025 outlook. Collectively, these actions have positioned Driven Brands as a simpler, more predictable and higher cash flow business. For the full year, revenue grew 6.3% to approximately \$1.9 billion, and we generated adjusted EBITDA of \$449 million. System-wide sales increased 2.7%, supported by 175 net new stores, while same-store sales increased 1%. Driven Brands today is a simpler, more focused company centered on nondiscretionary automotive services in North America that generate scalable growth and sustainable cash flow. A historical view reinforces the strength of our model. Since 2021, Take 5 has grown revenue by \$627 million, added 634 locations and grown EBITDA by 171%, while expanding margins from 27% to 34% by the end of 2025.

Over the same period, our franchise segment delivered a sales CAGR of 5.3% and expanded margins by over 1,200 basis points, finishing 2025 with margins of 62.7%. Auto Glass Now provides another lever for future growth. Since entering the automotive glass market in 2022, we have scaled the business to become the second largest operator in the industry. Over time, we see additional opportunities to expand through additional locations and increased market share across retail, commercial and insurance. Together, these businesses create a model designed to deliver sustained growth, strong cash generation and long-term value creation. Turning to Take 5 Oil Change, home of the stay-in-your-car 10 Minute Oil Change. In 2025, Take 5 achieved its 22nd consecutive quarter of same-store sales growth while opening 161 net new stores.

System-wide sales grew 17%, same-store sales grew 6% and adjusted EBITDA increased 10% with margins of 34%. Operational execution remains strong with baytimes consistently under 12 minutes, Net Promoter Scores in the high 70s, premium mix up 300 basis points and ancillary attachment rates up 380 basis points. Looking ahead, we remain highly confident in Take 5's long-term runway to more than 2,500 total locations, supported by a strong development pipeline of approximately 900 sites. We continue to see outstanding engagement from our franchise partners with over 65% signing second or third area development agreements. This strong partnership gives us excellent visibility into unit growth in 2026 and beyond. Our franchise segment did exactly what it is designed to do, generate robust, reliable cash flow with EBITDA margins of 63% for the year.

Auto Glass Now also made solid progress in 2025. Revenue and EBITDA improved 9% and 105% year-over-year respectively, with EBITDA margins improving 470 basis points. While still in incubation, we are encouraged by the foundation that has been built and continue to see meaningful long-term potential at Auto Glass Now. Turning to 2026. Our priorities remain consistent, disciplined execution, continued growth from Take 5, strong cash generation from the franchise segment and achieving our target of reducing net leverage to 3x by year-end. Mike will walk through the details, but at a high level, we expect revenue of approximately \$1.95 billion to \$2.05 billion, approximately \$430 million to \$460 million in adjusted EBITDA.

Importantly, that includes approximately \$35 million to \$45 million of restatement-related nonrecurring costs and excludes International Car Wash. Same-store sales growth in the range of flat to 2% and approximately 160 to 190 net new units. I'd like to close with a few key takeaways. 2025 was a foundational year for Driven Brands. We delivered on our business commitments, growth from Take 5, strong cash generation from our franchise businesses, portfolio simplification and meaningful deleveraging. We also addressed prior period accounting issues through a comprehensive restatement, and we are implementing stronger financial controls, improved systems and a more disciplined financial foundation.

Looking ahead, our focus remains firmly on executing our growth and cash strategy. We expect another year of strong growth led by Take 5, and we'll deploy the cash we generate to achieve our targeted 3x net leverage by year-end 2026. I want to thank our 7,100 Driven Brands team members and our franchise partners for their commitment and execution throughout 2025. Their focus on delighting our customers every day is what drives our results. With that, I'll turn it over to my partner and Driven CFO, Mike.

Michael Diamond

CFO & Executive VP

Thank you, Danny, and good morning, everyone. Today, we are reporting our fiscal Q4 and full year 2025 results and filing our restated financial statements for fiscal years 2023 and 2024. I'd like to start by echoing Danny and thanking our investors for their patience throughout this process. As Danny noted, once we identified a restatement was necessary, we initiated a comprehensive review of our historical accounts across our financial statements to identify and incorporate all necessary adjustments. Given the scope of that review and the fact that findings evolved as the work progressed, we believed it would have been premature to provide interim updates that could later prove incomplete or inaccurate. The priority for the company and for our investors was to deliver financial information that is accurate, complete and provides a solid foundation for the company to move forward.

In April, once we had sufficient visibility, we provided preliminary unaudited results. Today, we are filing our complete restated financials. With that, let me walk you through the primary restatement topics and the actions we've taken to date. A common theme across many of these items was the need for additional accounting resources, particularly with an appropriate level of technical accounting knowledge and experience, including knowledge in establishing effective internal controls. We have already begun strengthening the organization through a combination of targeted hires and external support. As mentioned in our initial 8-K in late February, the restatement primarily impacts 2023 and prior periods and relates to the following areas: Cash. Cash and cash equivalents, as stated on our balance sheet were overstated dating back to 2022.

A majority of this overstatement occurred at AGN in 2022 and 2023 and was the result of 12 acquisitions with different ERP systems during a time when our back-office processes did not keep pace with our rapid expansion. It is important to note that there was no impact on actual cash leaving the company, but rather the reporting of cash balances on the balance sheet following our acquisitions. With the correction of the historical balances, cash reported on the balance sheet now appropriately reflects cash in the business. Leases. Lease-related right-of-use assets and right-of-use liabilities were understated dating back to at least 2023, primarily driven by incorrect lease details in our lease database. As part of our year-end close process, we undertook a thorough review of our existing leases and have been implementing process improvements to better monitor new and modified leases.

Operating expense classification. Within operating expenses, certain costs were misclassified between company-operated store expenses and supply and other expenses in 2023 and 2024. This correction did not impact total operating expenses, operating income or segment level profitability in any period. Starting in 2025, we removed the intercompany upcharge that drove this initial misapplication. In addition to those 3 topics addressed in the February 8-K, our comprehensive management review identified 2 additional significant areas, accounts payable. When we launched our new digital platform for Driven Advantage, our internal marketplace in 2023, technology integrations between the new ordering platform and our prior ERP were not correctly established. This issue was largely addressed with the rollout of Oracle in mid-2024. But during this restatement, we identified incorrect manual journal entries that were made in 2023. The impact of these incorrect entries resulted in an understatement of accounts payable. Correcting this understatement increased COGS for Take 5 in 2023.

Accounts receivable. As part of the restatement process, we conducted a thorough retesting of our accounts receivable balances. As part of this retesting, we identified historical balances that should have been reserved for in 2023, duplicated AR amounts as part of our Oracle transition and a misapplication of certain credit balances. Our quarter end processes now include a robust evaluation of reserve amounts and the operational steps necessary to collect outstanding balances. In addition to these items, we identified other adjustments that were quantitatively insignificant individually and in the aggregate, but are reflected in the restated financials. The full impact of these adjustments on the income statement and statement of cash flows for the full year 2023 and 2024 and the balance sheet as of year-end 2024 are included in today's earnings release.

Additionally, this annual detail plus quarterly detail for 2024 and 2025 will be included in Notes 3 and 19 of the 10-K that we are filing this afternoon. The restatement impacts to adjusted EBITDA are as follows: 2023, a decrease of \$57 million; 2024, a decrease of \$12 million; 2025 year-to-date through September, a decrease of \$8 million. In addition, retained earnings decreased \$32 million from restatement impacts that occurred in 2022 and earlier periods. As a reminder, in addition to the restatement impacts, the resegmentation and discontinued operations of both our international and U.S. Car Wash businesses also impact previously reported adjusted EBITDA for these periods.

We identified this restatement now for several reasons. 2025 was our first full fiscal year with Oracle as well as my first full fiscal year at Driven. We implemented additional accounting procedures tied to both the divestiture of our Car Wash businesses and the ensuing resegmentation. We hired a new Chief Accounting Officer in April 2025, who has been instrumental in driving process improvement, higher expectations and better execution across our organization. Our CAO joins a complement of other strong finance leaders who have joined us over the last 18 months across tax, AR and AP, internal audit, treasury and Investor Relations to give us the leadership we need to continue making the necessary foundational improvements. By strengthening our finance function, 2025 was a foundational year for the company. We simplified our portfolio through the divestiture of our Car Wash businesses, streamlined our segment reporting to provide better visibility into each business and significantly deleveraged our balance sheet, reducing pro forma net leverage to 3.3x.

These actions have positioned us as a more focused company centered on nondiscretionary services in North America with enhanced balance sheet flexibility. With the divestiture of the Car Wash segment, we are reporting Auto Glass Now as a stand-alone segment. Moving forward, our 3 reportable segments are Take 5, Franchise Brands and Auto Glass Now. As a reminder, with the divestiture of both our U.S. and international Car Wash businesses, the results for those business are included in discontinued operations and are not included in quarterly or annual financial details provided today unless otherwise noted. Turning to our financial results for Q4. Driven recorded same-store sales growth of 0.5% and added 81 net new units. System-wide sales for the company grew 2.1% in Q4 to \$1.5 billion.

Total revenue for Q4 was \$460.1 million, an increase of 7.7% year-over-year. Q4 operating expenses decreased \$29.5 million year-over-year, driven by lower stock and performance-based compensation, lower bad debt expense in Q4 of this year and lapping losses in Q4 of 2024 related to the divestitures of PH Vitres and U.S. Car Wash assets. Operating income increased \$62.4 million to \$78.2 million in Q4, driven by higher revenue and lower SG&A. Adjusted EBITDA increased 7.3% to \$111.9 million for the quarter. Adjusted EBITDA margin for Q4 was 24.3%. Interest expense declined \$7.4 million to \$28.6 million, driven primarily by ongoing debt paydown. Income tax expense for the quarter was \$7.9 million. Net income from continuing operations for the quarter was \$40.7 million. Adjusted net income from continuing operations for the quarter was \$56.4 million.

Adjusted diluted EPS for Q4 was \$0.34. Q4 performance for each of our segments include: Take 5 grew same-store sales 3.7% in Q4. Take 5 added 60 net new units in the quarter, continuing to execute against a deep pipeline of both franchise and corporate new units. Adjusted EBITDA grew 8.4% to \$107.3 million. Franchise Brands recorded a 1% decline in same-store sales, driven by continued softness in the broader collision industry. Adjusted EBITDA was \$42.4 million in Q4, a decrease of \$0.2 million. We added 23 net new units in Q4, demonstrating the continued interest in our franchise concepts despite lower sales in 2025. Auto Glass Now reported same-store sales growth of 6.3% in Q4 as we saw sequential growth across our retail, commercial and insurance business. Adjusted EBITDA decreased \$0.4 million to \$3.2 million, driven by higher performance-based compensation in Q4 2025.

Turning to our full year income statement results. System-wide sales grew 2.7% to \$6.1 billion, reflecting same-store sales growth of 1% and net new unit growth of 175 units or 4.3%. Revenue grew 6.3% to \$1.9 billion. Operating expenses increased to \$1.6 billion, driven primarily by higher company-owned store expenses and increased SG&A. Operating income increased \$31.3 million to \$231.1 million. Adjusted EBITDA grew 1.3% to \$449.1 million. Pro forma for the divestiture of PH Vitres in 2024, adjusted EBITDA grew 3.7%. Net income from continuing operations was \$132.1 million. Adjusted net income from continuing operations was \$199.2 million. Diluted EPS from continuing operations was \$0.80. Adjusted diluted EPS from continuing operations was \$1.21.

Full year performance for each of our segments include Take 5 grew same-store sales 6.2% in 2025. Take 5 added 161 new units, 94 company-owned stores and 67 franchise stores. Total revenue increased 13.6% to \$1.2 billion, driven by increases in same-store sales and unit count. Adjusted EBITDA grew 10.1% to \$418.7 million. Adjusted EBITDA margin was 34.4%, in line with our expectation of Take 5 as a mid-30s adjusted EBITDA margin business. Franchise Brands reported a 1.1% decline in same-store sales, driven by softness in the broader collision industry in our most discretionary business, makeup. This segment added 20 net new units in 2025 across a combination of Meineke, Uniban and our Collision brands. Revenue declined 3.5% year-over-year. Adjusted EBITDA was \$178.8 million for 2025, a decline of \$11.9 million, driven primarily by the decline in revenue.

Adjusted EBITDA margin was 62.7%, continuing the segment's role as a high-margin cash generator. Auto Glass Now reported same-store sales growth of 7.9% in 2025. Adjusted EBITDA grew \$13.3 million, driven by the increase in same-store sales and a better focus on store level operating performance. Adjusted EBITDA margin of 10% increased 470 basis points from 2024, driven by operating leverage from increased sales and better cost discipline at store level. Turning to cash flow and leverage. Our cash flow statement shows a consolidated view of cash flow, inclusive of discontinued operations. For the full year, net capital expenditures were \$149.7 million, of which approximately \$25 million was related to our International Car Wash business and \$5 million was related to our U.S. Car Wash business. Full year free cash flow, defined as operating cash flow less net capital expenditures was \$180.9 million, an increase of \$174.2 million over 2024.

We ended Q4 with a net debt to adjusted EBITDA ratio of 3.7x, reflecting net debt paydown of \$58.7 million in the quarter. In January, we used proceeds from the sale of our International Car Wash business to fully extinguish our 2019-2 senior notes, make an \$80 million prepayment to our 2020-1 senior notes and pay down our revolving credit facility to 0, more than \$470 million of debt repaid in total. Pro forma for the transaction, our net leverage ratio is 3.3x, and our outstanding debt is 100% securitized fixed rate debt with a weighted average interest rate of 4.3%.

I'd now like to provide our outlook for fiscal year 2026, along with preliminary Q1 results. For the full year, we expect revenue of \$1.95 billion to \$2.05. Adjusted EBITDA \$430 million to \$460 million. This number includes between \$35 million to \$45 million of estimated nonrecurring restatement costs that we do not intend to add back to adjusted EBITDA in 2026. Adjusted diluted EPS of \$1.15 to \$1.25. In addition, we are providing additional color on other important operating metrics for fiscal year 2026. Same-store sales of flat to 2%, net store growth between 160 and 190 units, net capital expenditures of approximately 6.5% of revenue. Approximately 60% of our net CapEx will support Take 5 company-operated unit growth in targeted markets. The remaining 40% covers maintenance capital for existing Take 5 and AGM locations and general corporate purposes. Interest expense of roughly \$90 million, reflecting lower debt balances, effective annual tax rate of 26% to 27%.

Our outlook reflects a range of outcomes from Collision and Maaco given the recent softness, continued growth in AGN and some moderation in growth in Take 5 reflective of post Q1 trends. While our overall distribution remains largely similar despite our portfolio changes, the additional costs related to our restatement work will impact Q1 and Q2 more heavily, and therefore, we expect the first half to contribute less than 50% of our adjusted EBITDA for 2026. With these assumptions, we expect to generate between \$125 million and \$145 million of free cash flow in 2026. We will continue to direct that cash toward debt reduction and maintain our focus on achieving 3x net leverage by the end of 2026. While we are working to report Q1 results as efficiently as possible, we will require additional time to complete and file our 10-Q.

With that, as previously disclosed in our April 21 release, I'd like to provide a few preliminary Q1 financial metrics that we currently expect to report. Same-store sales between 1.9% and 2.1% for consolidated Driven with Take 5 same-store sales between 4.3% and 4.5%. Revenue between \$475 million and \$485 million. Adjusted EBITDA, while we are still reviewing adjusted EBITDA, we expect Q1 to be moderately lower year-over-year driven by the increased corporate expenses from our financial restatement. As we close the book on 2025 and exit the first quarter of 2026, we are focused on strengthening our foundation, driving growth and managing our portfolio of brands and capital allocation policy in a way that delivers value to our shareholders. Danny and I will be speaking with investors over the next few days before we step back prior to our Q1 earnings call. 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 the line of Phillip Blee of William Blair.

Phillip Blee

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

So the midpoint of your comp guide assumes a deceleration throughout the remainder of the year after the first quarter. And then you spoke a bit about a subsequent slowdown in trends. Is that more of a function of more difficult comparisons? Or do you think it's more attributable to the macro? Or is there something else in the underlying business that we should be considering here?

Michael Diamond
CFO & Executive VP

Phil, good to talk to you. A couple of different things to unpack there. I think consolidated driven and then probably a couple of the specific drivers. So we did have a decent Q1 across both consolidated and the Take 5 number. That said, we want -- we continue to be conservative in our approach towards the Collision and the Maaco businesses, just given the industry challenges we've seen there. As a reminder, for our collision business, that overweights towards our same-store sales growth calculation given the amount of system sales that go there. And so goes Collision goes -- the overall consolidated driven comp. From a Take 5 perspective, I would say Q1 is kind of right in line on a 2-year stack from what you're seeing given the tougher lap we had in Q1 of last year. But as I mentioned in my comment, we have seen a little bit of moderation headed post Q1 into Q2 of this year.

Daniel Rivera
President, CEO & Director

Yes. And Phillip, this is Danny. Just to kind of elaborate on the moderation a little bit. Specifically with Take 5, we're seeing a little bit of moderation in traffic coming into this year. And that's really with 2 specific cohorts of customers, a little bit with newer customers and then with more value-oriented customers. So super important for us. We're very focused on making sure that we're focused on our value proposition. We believe and we know that we win when we're the fastest, friendliest and simplest oil change on the planet. And so the team is really focused on value proposition and focusing on long-term customer relationships.

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

Okay. That's very helpful color. I appreciate that. And then just a quick follow-up on the EBITDA piece. So you touched a bit about it on the prepared remarks. But when looking at the year-over-year decline in the adjusted EBITDA margin outlook, can you provide maybe a bit more color on what is more accounting change related versus incremental costs related to recurring remediation efforts or then potentially higher input costs now with the volatile macro or anything else big that we should be considering? I guess what I'm trying to get at, is this the new baseline? Or is this sort of kind of a one-off year and then kind of returning back to normal?

Michael Diamond
CFO & Executive VP

Yes, absolutely. I mean I would say where we are today, we view it more of the latter, which is that \$430 million to \$460 million incorporates \$35 million to \$45 million of restatement costs that we view as nonrecurring. Now obviously, as we talk about building some of the team, we will hire some additional folks, but we expect to be able to drive efficiencies with a continued complement of additional accounting resources. But that \$35 million to \$45 million, which we're laying out here today to provide that clarity for the investor community, we also will, every quarter, give an update of how much we've spent quarter-by-quarter so that those who want to use that as a pro forma can.

As we looked at it, we believe that the costs to incur appropriate financials are best embedded in the adjusted EBITDA, but we want to be as transparent as we can. So as for now, we view \$35 million to \$45 million, that's 2026 expense that we don't see recurring once we get into 2027.

Operator

Your next question comes from the line of Brian McNamara of Canaccord Genuity.

Brian McNamara
Canaccord Genuity Corp., Research Division

A bit of a follow-up to the first question. I wanted to drill down on competitive intensity in oil change. So I think for the 12 quarters prior to Q4, Take 5 materially outperformed its larger public peer, but that reversed in Q4 and now Q1 where it's expected to underperform in concept by nearly 400 bps. So what's driving that? Is that simply just taking the eye off the ball while prioritizing the restatement of financials? Is it macro? I know you had used the term choppiness to characterize demand last year and this competitor did not. And you just -- obviously just mentioned the value proposition answering the prior question.

Daniel Rivera
President, CEO & Director

Yes. Brian, it's Danny. Look, I'd say, first off, Q1, we're looking to come in at about 4.3% to 4.5%. That's about 12.5%-ish on a 2-year basis. So if you look at the 2-year stacks, we continue to feel quite good, and we think our performance is solid. As I did mention a second ago, I mean, we are seeing a bit of moderation in traffic with Take 5 coming into 2026. We're seeing that moderation in 2 specific cohorts, newer customers and more value-oriented customers. So one hot day doesn't make a summer, but we're seeing that moderation right now, and the team is taking obviously the appropriate actions. For us, it's all about just the value proposition and making sure that we're delivering to our customers a great experience. Our NPS scores remain high in the high 70s, but really doubling down on making sure we're the fastest, friendliest and simplest oil chain on the planet and making sure that we're focused on the long term and not on the short term.

Operator

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

Skylar Tennant

Morgan Stanley, Research Division

This is Skylar Tennant on for Simeon Gutman. So the 1% comp outlook for '26, could you decompose the contribution from each business? And then if Take 5 is growing that may imply that franchise and AGN are slowing. So can you speak to why that may be happening?

Michael Diamond

CFO & Executive VP

Yes. Well, so I'd start by just saying it's not 1%, it's a flat to 2%, right? We give a range just because there are some variations there. As I mentioned on the earlier question, one of the unique aspects of Driven is our Collision business outweighs the impact on same-store sales versus profit given the royalty structure we have there. So if you think about what would drive to the low end of the range, it would be continued pressure on the overall collision industry. We are one of the largest players in the Collision industry. We believe we are taking share and outperforming the industry as a whole. But when the industry is soft, that does mean we end up coming down towards the lower end of the range.

We've also talked for several quarters Maaco, which has sequentially improved, but also is our most discretionary business. And so faces some pressure and at the low end of the range may continue to face some pressure. Danny mentioned this in his comments, AGN is an incubation period. It's still slow, but we expect that business to grow. So I wouldn't read anything into no sales growth at AGN. It's also a very small business. And so even significant growth at AGN will contribute modestly to the overall same-store sales growth. And then you get Take 5. As we mentioned, we were in the mid-single digits of Q1. As Danny mentioned, that's a very strong 2-year stack given the strong Q1 of last year. And even with a little bit of moderation post Q1, we still feel very good about the long-term trajectory of that business. So I think that's kind of how I would break out the flat to the 2%. A lot of it depends on kind of where the Collision industry goes given the outweighing and then our ability to continue to round up on Take 5 versus some of the pressure we've currently seen.

Skylar Tennant

Morgan Stanley, Research Division

Okay. Great. And then on the EBITDA, if we adjust that \$40 million nonrecurring cost at the midpoint, it implies that next year, EBITDA would be up about \$35 million. So can you just break out where that growth is coming from?

Michael Diamond

CFO & Executive VP

Yes. I'm not quick enough this morning to do your exact math on the \$35 million pro forma, but I'll take your word for it. So I think -- look, I mean, I think it's a lot of things. I think, one, we expect to see mid-single-digit growth for Take 5 going forward and in general, sales growth across our business, right? Take 5 continues to grow. We're adding new stores. We continue to see comp growth in that business and flow it through the bottom line.

AGN continues to be a good growth platform. And then Franchise Brands, I don't want to say regardless of its sales trajectory, but whether it's up a couple of hundred basis points or down still flows through strong profit. And so to some degree, it's just the continuation of the Driven platform, highlighting the features of our sales growth across our various brands and then working hard to be efficient on our G&A and make sure that flows through to the bottom line.

Operator

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

Mark Jordan

Goldman Sachs Group, Inc., Research Division

Just a quick one here on Take 5. With everything going on, can you talk about your current supply of oil? Any concerns you might have regarding ability to secure oil going forward? And maybe what levers you have to pull to offset these higher costs you're seeing?

Michael Diamond

CFO & Executive VP

Yes. I mean, in a word, no. Not concerned. We have very good relationships with our partners. We have over a month's worth of supply more than that, and we're in constant communication with those partners. So not worried. As you would expect any organization in this environment, we've got several people focused on this on a daily basis to make sure that stays the case. But no concerns at this point about our availability of supply.

Daniel Rivera

President, CEO & Director

Mark, the only thing that I would add is Driven scale matters in times like these, right? So we buy a lot of oil. And so we tend to be, thanks to our contractual arrangements, first to trough and have really good procurement team. So we feel really good right now.

Mark Jordan

Goldman Sachs Group, Inc., Research Division

Okay. Perfect. And then one quick kind of unrelated follow-up. But on the collision space, we talked about some variability in the outlook for the rest of the year. I think if we think outside of Maaco, the rest of the business, underlying trends in Collision repair got much better in '25. The first quarter looks like kind of repairable claims industry were in a normalized range. I guess what does your outlook assume for the rest of the year? Is it just some concerns noting that there's some more challenging macro? Or is it something specific to collision repair you're thinking about?

Daniel Rivera

President, CEO & Director

No. I mean, I think you've kind of highlighted it well, right? So if I think about 2025, estimates were down high single digits. It got progressively better throughout the year, and that momentum has continued into Q1. So sitting here today, it seems like the industry is normalizing. We continue to outperform the industry at large based on all the metrics and data that we see here, anywhere between kind of 100 to 300 basis points ahead of the industry. So I think those 2 things, we've seen normalization of the industry through the beginning of the year, I think that, that will continue through 2026, and we certainly expect to continue to outperform the industry as we have been historically.

Operator

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

Marvin Fong

BTIG, LLC, Research Division

Just a follow-up on the Take 5 guidance. I think it has been mentioned that elsewhere in the industry that some pricing pass-through ahead of motor oil baseline fuel increases have been occurring. I was just wondering if you're seeing that in your system, either from your franchisees or through your own company store actions. And then I have a follow-up.

Daniel Rivera

President, CEO & Director

Yes. I mean, look, franchisees, we do not control directly franchisee pricing. So they can -- they will take or ebb on pricing as they see fit in their current markets. From a kind of system-wide level, our corporate stores sitting here today through the first quarter, we have not taken any price increases. As we go through the remainder of the year and we see what our input costs are vis-a-vis our suppliers, we will take the appropriate actions over time. But sitting here today through Q1, we haven't taken any systemic or corporate-wide pricing increases.

Marvin Fong

BTIG, LLC, Research Division

Okay. Great. And then just a follow-up on corporate overhead, taking some investor questions on this. So just maybe you could just double-click on that expense line for some investors that may see it as an opportunity for some further cost efficiencies. Is that an area where you might see some additional opportunities to kind of decrease that expense line?

Michael Diamond

CFO & Executive VP

Yes. Marvin, absolutely. I'll take that. So let me answer that in a couple of different ways. I think first and foremost, stepping back, we view SG&A as a percentage of system-wide sales as the best metric to view efficiency. Doing that, we think, helps normalize for different ownership structures, company-owned versus franchise. And given the diversity and the breadth of the Driven platform and the different royalty structures and everything else that comes into play, that helps kind of normalize for the various revenue generation from a royalty and other revenue drivers as well as the ownership. And so that's how we tend to think about that from an efficiency perspective.

I think that said, if you take a step back and look at how that has performed, it has ticked up modestly over the last couple of years. And there's a couple of drivers there, right? I think first, in the '25 SG&A number, you've got, call it, \$40 million that's related to the portfolio management activities over the last 18 months, everything from the loss on the sale of the seller note, various professional fees related to the preparation and execution of the various transactions we've had and some write-offs from the various fixed assets and assets held for sale. So while that is real expense that has to flow through the P&L, that is far more tied to the portfolio management activities we have been taking over the last couple of years as opposed to true dollars for hands-on keyboards. That said, there have been some underlying investments we've made. We talked about this in the prepared remarks. We've invested in new ERP systems, both for our HR team and for Oracle, which we've obviously mentioned several times in the prepared remarks as being a catalyst for helping us make sure we improve our accounting infrastructure.

And then I mentioned a couple of times, investments in new leadership under my organization to make sure we have that right complement of resources. So I think there is always an opportunity for any organization. I'm not sure any organization should say they're totally comfortable. We will continue to find ways to drive efficiency. Part of the underlying pro forma growth for us is baked on making sure that the sales growth we have flows through the bottom line. But I also think there's a couple of reasons why that number may appear higher than you'd otherwise normally think. So we'll remain focused on it, but some of it is just investment in the business because we want to make sure we get the most out of Driven.

Operator

Your next question comes from the line of Robby Ohmes of Bank of America.

Robert Ohmes

BofA Securities, Research Division

Just a quick one. Any -- you probably can't answer this, but any color on strategy changes contemplated during this process in terms of either the outlook on M&A or divestitures from here that you can comment on?

Daniel Rivera

President, CEO & Director

Robby, it's Danny. So look, I guess the way I'd answer that question is Mike and I have said historically that we're going to be active portfolio managers. More than saying it, we've acted on that, right? So we've divested 3 companies in the last 18 months. We view portfolio management as one of the levers at our disposal to make sure that we're driving long-term shareholder value. And we will continue to be active portfolio managers towards that end, right? So I'd say from an M&A perspective, that's our stance. From a strategy perspective, nothing has changed. So the way that I think about our long-term strategy is really 2 things that we're focused on. Number one is driving growth in cash. So we've talked about this historically. Growth is really about Take 5 and making sure that, that continues to be the growth engine that it has been for Driven Brands for some time.

As it relates to franchise, it's really -- that's the cash side of the equation, right? So it's really about generating robust cash flow and making sure that we have nice healthy margins, which we've been able to do. So that's one thing that we're focused on from a strategy perspective. And then the second one is we want to be disciplined allocators of capital, right? And for us, what that means is really 3 things. Number one, we want to fund Take 5. Number two, we want to continue to pay down debt and get to the 3x net leverage that we've set out. And number three, we want to be disciplined about the portfolio, and we want to make sure that we stay focused on nondiscretionary North American automotive services businesses.

Operator

Your next question comes from the line of Chris O'Cull of Stifel.

Patrick Johnson

Stifel, Nicolaus & Company, Incorporated, Research Division

This is Patrick on for Chris. Danny, I had a quick follow-up on lubricant supply. Is there a force majeure clause in your contract that allows you to source alternative lubricants if you were to be in an event where your primary supplier couldn't meet its obligations?

Daniel Rivera

President, CEO & Director

Patrick, I appreciate the question, but I'm not going to disclose what's in our contracts here publicly.

Patrick Johnson

Stifel, Nicolaus & Company, Incorporated, Research Division

Okay. And then I guess my main question is just on waste oil. I'm curious if you guys have seen signs the value of waste oil is moving up? And to what extent do you anticipate that to serve as an offset to rising lubricant prices? And Mike, is there any way to sensitize the impact to company margin or the ticket increase needed to offset an increase in lubricant prices to help us understand the impact?

Michael Diamond

CFO & Executive VP

Yes. So there's a couple of different embedded questions in there, Patrick. I'll try to tease them out if I can follow them all. So to your first question, yes, as oil prices go, so goes oil reclamation. That actually was a bit of a headwind on the Take 5 margin in 2025 as we saw some oil reclamation give back in our flow-through. And as oil prices go up, we would expect that to offset a little bit in 2026 here given the increase in oil prices. I don't think I'm going to get into specific dollar amounts other than to say we have historically had the ability to cover price increases. I think just as an aside, an increase in \$1 of a barrel of oil does not necessarily flow through 1:1 for cost, right?

Base oil price is at most 50% of the cost of oil that goes into what we sell and that because it covers everything from the other additives, the shipping, the storage and everything else. And so while base oil prices do contribute to COGS, it's not the sole driver of COGS. So like while that is an input, it's not the only input. And that, therefore, gives us some flexibility to figure out how we can, if we choose to pass along price. Obviously, we also sell a lot of different types of oil. And so there's some flexibility in how we think about that as well. So given we're in a nondiscretionary category, given we have such a high reputation in the market, we take that seriously, and we want to make sure we think about that prudently. But we feel comfortable with the levers we have to manage input cost pressure should we see it.

Operator

Your next question comes from the line of Tristan Thomas-Martin with BMO Capital Markets.

Tristan Thomas-Martin

BMO Capital Markets Equity Research

Just one kind of follow-up clarification question for Danny. When you called out moderation in new and value-oriented customers, was that across all businesses? And was that only about '25? Or are you also seeing that in '26?

Daniel Rivera

President, CEO & Director

So that comment was specific to our Take 5 business, and it was specific coming into 2026. What I would say generally, I mean, each one of our industries performed slightly different, right? So those are the comments on Take 5. I should note that there's 2 sides to the sales equation with Take 5. There's traffic, which is what the comment is based on, but there's also average check. And we continue to see very strong average check for us, and we continue to be very good at driving non-oil change revenue, and that continues to be a strength. The other industries are slightly different, right? We talked earlier about collision and how 2025, that business estimates were down kind of high single digits and how that improved through the back half of the year and that improvement and that normalization we've seen continue into '26.

If we look at the Meineke business, Meineke actually had a strong '25 and continues that strength into '26. And if we look at the Maaco business, which is our most discretionary business sitting here today, that business saw some softness last year. That softness has continued into the beginning of '26, although the retail side of that business, we have seen a bit of a trajectory change here recently. So a little bit of a mixed bag depending on which part of the business you're talking about. I think if we take a step back, growth in cash is very much still on the table and Take 5 in the long term continues to be a great growth engine for Driven Brands.

Tristan Thomas-Martin

BMO Capital Markets Equity Research

Just a quick follow-up. What do you think is driving that kind of the -- I don't want to call it a rebound, but maybe the inflection in makeup following the softness?

Daniel Rivera

President, CEO & Director

Yes. I mean I can tell you from what we're seeing internally, it's -- a lot of it is just execution of our team, right? So at the end of the day, we've really doubled down on efforts on the leads that are in front of us. Retail leads are very actionable leads. We're focused on making sure that we're actioning those leads. We're taking those calls. We're focused on our call scripts. We're focused on our sales process. So I'd say, certainly, at least part of the change in trajectory on the retail side has been better operational execution on our side.

Operator

Thank you. I would now like to hand the call back to the management for closing remarks.

Daniel Rivera

President, CEO & Director

Great. Thank you, Ellie. We want to thank you again for your patience as we work through the restatement with the rigor and accuracy that it required. As we close the call, there are a few key points I want to leave you with. First, we have a stronger foundation. We've invested in and we'll continue to invest in our leadership, our systems and our processes across Driven. Second, we have a simpler and more focused business. Through disciplined portfolio management, we've created a business centered on nondiscretionary automotive services in North America. Third, the business continues to execute against our growth and cash strategy. Adjusted EBITDA grew 7% in Q4 and pro forma for the PH Vitres divestiture, adjusted EBITDA grew 4% for the full year. Again, we thank you for your time today.

Operator

Thank you for attending today's call. You may now disconnect. Goodbye.

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