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Mister Car Wash, Inc. (MCW) Q3 2024 Earnings Call Transcript

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Q3: 2024-10-30 Earnings Summary

[Play Call](#)[Press Release](#)[10-Q](#)EPS of \$0.09 **beats by \$0.02** | Revenue of \$249.33M (6.52% Y/Y) **beats by \$202.78K**

Mister Car Wash, Inc. (NYSE:[MCW](#)) Q3 2024 Earnings Conference Call October 30, 2024 4:30 PM ET

Company Participants

John Lai - Chairman & Chief Executive Officer

Jed Gold - Chief Financial Officer

Conference Call Participants

Justin Kleber - Baird

Simeon Gutman - Morgan Stanley

John Heinbockel - Guggenheim Securities

David Bellinger - Mizuho

Michael Lasser - UBS

Christian Carlino - JPMorgan

Sabrina Baxamusa - William Blair

David Lantz - Wells Fargo

Operator

Good afternoon and welcome to Mister Car Wash's Conference Call to discuss Financial Results for the Third Quarter ending September 30, 2024. [Operator Instructions] Please note that this is being recorded and a reproduction of this call in whole or in part is not permitted without written authorization from the company.

Speaking from management on today's call are John Lai, Chairman and Chief Executive Officer and Jed Gold, Chief Financial Officer. After John and Jed have made their formal remarks, we will open the call for questions.

During this conference call, references to non-GAAP financial measures will be made. A complete reconciliation of these measures to the most comparable GAAP measures have been included in the company's earnings press release issued earlier today and posted to the Investor Relations section of the company's website at mistercarwash.com. As a reminder, comments made on today's call may include forward-looking statements, which are subject to significant risks and uncertainties that could cause the company's actual results to differ materially from the management's current expectations.

Please be advised that the statements made today are current only as of this call and are based on the company's present understanding of the market and industry conditions. While the company may choose to update these statements in the future, they are under no obligation to do so unless required by applicable law or regulations. Please review the forward-looking statements disclaimer contained in the company's latest annual 10-K or 10-Q reports. As such, factors may be updated from time to time and other filings with the Securities and Exchange Commission.

I will now turn the call over to Mr. Lai.

John Lai

Good afternoon, and thank you for joining our third quarter earnings call. We're feeling good about the business and how things are trending. Our Titanium introduction continues to exceed our expectations. UWC member engagement remains strong, and we're seeing a reacceleration in retail traffic. The team has also done a fantastic job of managing expenses and increasing productivity, while we continue to invest in our stores and our people to support our long-term growth opportunity.

Allow me to update everyone on Q3. Sales increased 7% to \$249 million. Comp store sales increased 2.9%, which is now six successive quarters of positive comp store sales growth. Adjusted EBITDA increased 10% to \$79 million, and we opened 10 new stores, including our 500th location, which was a huge milestone.

I'd like to begin by giving everyone an update on our marketing efforts and what we're doing to drive retail traffic. We've broadened our reach by implementing a full funnel media strategy. We're experimenting in new channels like digital out-of-home while increasing investments in existing channels like paid social, digital display and search. We will continue to test different offers throughout Q4, and we'll be fine-tuning our messaging and frequencies based on how customers respond. Our goal is to drive retail traffic and leverage our ad spend while we ramp up the intensity of our marketing strategy throughout the remainder of this quarter and well into 2025.

To be crystal clear, increasing ad spend and being more promotional doesn't necessarily mean we're getting more aggressive with discounts. On the contrary, those that discount the most usually do it for a reason. We're extremely disciplined in making sure we don't dilute our brand by competing on price, which for most customers is not why they're using us in the first place.

At Mister, our goal isn't just to satisfy our customers. We want to delight them. We call every touch point in our service delivery model a wow zone. And we train our teams to greet every customer with a wave and a smile, which by the way, is not easy to do for 10 straight hours a day.

Our Net Promoter Scores remain extremely strong, with the highest marks around the friendliness of our staff and how good we are at making them feel welcomed. To give you a sense of what we're hearing, I thought I'd share a couple of select comments.

Here's one from one customer. I love the shine in my car, and your employees are just the best, friendly and helpful. Here's another customer comment. The workers are so nice. Everyone is always courteous and respectful. And finally, from another customer, the availability of multiple locations means that I can get my car washed while on way to just about any kind of business.

In addition to receiving feedback on things we should continue to do, we also received instructive feedback on things we can improve upon, such as our vacuum efficacy during peak demand. We found out that about third of our portfolio's vacuums weren't keeping up during our 100-plus car hours and we needed to improve our suction.

Turning data into actionable items by listening and responding to our customers is a hallmark of ours. As we speak, our facilities maintenance teams are in the process of tightening seals, improving nozzle seats and upgrading producers to fix the issues.

At our National Leadership Conference two weeks ago, the primary theme was the voice of the customer and what we need to do to get every team member to act as a brand ambassador. We start by establishing a culture of elevated hospitality and focus heavily on educated manners, which has become synonymous with our brand promise.

As we continue our march upward with more than 500 stores, the Mister brand continues to get stronger. Building out our network of locations and densifying within each MSA provides even more convenient options for our members, further supporting the benefits of being a scaled operator.

And at the very heart and soul of our company, is our people who are absolutely the best. Our employee engagement scores, which are a proxy for our culture, are at record levels, which tells me, we're not just building the largest carwash platform in the industry, but we're doing it right way: by taking care of our people.

Experience and knowledge matter in this industry. And we're fortunate to have built the team of ninja warriors, who are highly skilled in their craft and dedicated to improving each day.

Before I turn it over to Jed, I want to say thanks to the entire team for a great quarter. We're off to a good start in Q4 and have some wind at our back. Our business is performing well right now. And we couldn't have done it without the amazing effort by our entire organization. Thank you.

Jed Gold

Thank you, John, and good afternoon, everybody. Overall, we are pleased with our third quarter results. We delivered strong results and are encouraged with the momentum we are seeing in the business.

Before we get into the details, let me touch on a few highlights. Our subscription business remains resilient. Member utilization has remained constant, which is a key indicator of member satisfaction. Additionally, during the quarter, we didn't see any material changes in our core churn levels from previous quarters.

Our new Titanium membership offering continues to ramp ahead of our expectations. And at the end of the quarter, membership mix was nearly 24%. The vast majority of our Titanium memberships recharged at the full regular monthly rate, which helped drive a 9% increase in Express revenue per member during the quarter.

Importantly, retail sales trends improved when compared to the first two quarters of the year. In particular, we saw a meaningful uptick in the second half of the quarter that continued into October. Some of the recent hurricanes that made national headlines were disruptive to our business and caused some close -- store closures during the quarter.

However, with subscription accounting for nearly 74% of wash sales in the quarter, coupled with our geographic diversity, helped to provide some insulation to weather and these events.

We opened 10 new Express Exterior car washes in the quarter and are tracking towards approximately 40 openings for the full year. Third quarter adjusted EBITDA was strong and came in ahead of our expectations, driven by better comp sales, tight expense management, and the timing of some marketing investments.

Now, let me run through the third quarter numbers. Net revenues increased 7% and comparable store sales increased 2.9%, driven largely by the strength of our Titanium offering and new store openings.

UWC sales represented 74% of total wash sales and we ended the quarter with more than 2.1 million UWC members. On a year-over-year basis, the number of UWC members increased by 39,000 members or 2%.

At the end of the quarter, the membership split between Base, Platinum, and Titanium was approximately 39%, 37%, and 24%, respectively. In the third quarter, the average Express revenue per member increased over 9% to \$28.33 versus \$25.88 in the third quarter last year.

Net income and earnings per diluted share were \$22 million and \$0.07, respectively. When adjusted for noncash stock-based compensation and certain noncore or one-time expenses, adjusted net income and adjusted earnings per diluted share were \$29 million and \$0.09, respectively, in the quarter. Adjusted EBITDA increased 10% to \$79 million and adjusted EBITDA margin increased 100 basis points to 31.6%.

Total costs and expenses were \$200 million in the quarter and included \$7 million in stock-based compensation and related taxes and a \$2 million gain from the disposition of assets.

Excluding these items, total expenses as a percentage of net revenue decreased 10 basis points to 78.2%. The decrease was driven by decreases in labor and chemicals and G&A expenses, partially offset by an increase in other store operating expense as a percentage of net revenue.

Excluding stock-based compensation, related taxes, and other one-time or non-cash expenses, labor and chemicals decreased 165 basis points to 28.4%, driven primarily by optimizing the labor model at our interior clean locations and leveraging our scale and purchasing and shipping of chemicals. This was partially offset by increased labor rates.

Other store operating expense increased 130 basis points to 32.6%, primarily driven by higher rent expense related to our store growth and sale leasebacks and some utility rate inflation.

G&A expense decreased 60 basis points to 7.4%, driven primarily by better expense management and some deferred spend on marketing, systems and people. In the third quarter, interest expense increased 8% to \$21 million, primarily due to increased borrowings, partially offset by lower average interest rates year-over-year.

Moving on to some balance sheet and cash flow highlights. At the end of the quarter, cash and cash equivalents were \$16 million, and outstanding long-term debt was \$931 million. Our balance sheet remains healthy, and we continue to self-fund our growth and expansion via sale leasebacks.

In the third quarter, we completed four sale-leaseback transactions involving four car wash locations for an aggregate consideration of \$19 million. Since the end of the third quarter, our sale leaseback activity has picked up exponentially, and we currently have over 20 properties under contract or LOI.

Now let me provide an update to our full year outlook. On our last call, we reiterated our previously provided guidance ranges, but indicated we thought revenue was likely to be at the low end of the range and adjusted EBITDA was likely to be at the high end of the range. Given the recent trends in the business, we are a bit more optimistic and are revising our guidance to reflect this positive momentum. Specifically, we are tightening our full year revenue guidance range to the low to midpoint of the range, tightening our comparable store sales to the high end of the previous range and raising our adjusted net income and adjusted EBITDA guidance range above the previous high end.

Our updated full year 2024 guidance ranges can be found in the table in the earnings release. But to recap, we now expect the following: net revenue of \$988 million to \$995 million. Comparable store sales growth of 2% to 2.5%, which equates to 2% to 4% in the fourth quarter. Adjusted net income of \$114 million to \$117 million. Adjusted EBITDA of \$313 million to \$318 million, representing approximately 9% to 11% growth year-over-year and representing a margin of 31.7% to 32%. Adjusted earnings per diluted share of \$0.35 to \$0.36; interest expense of approximately \$81 million; rent expense of approximately \$110 million; capital expenditures of \$330 million to \$350 million; sale leaseback proceeds of \$120 million to \$135 million; and new greenfield locations of approximately 40.

As John mentioned earlier, we plan to increase our media spend in the fourth quarter. The incremental marketing spend in the fourth quarter is one of the deferred investments that we have mentioned the past two quarters and will impact our operating income and adjusted EBITDA margins during the fourth quarter.

Let me wrap up by also thanking our amazing and dedicated team members who work hard and do all they do to make Mister a best-in-class operator and a company we can all be proud of. The team has done a tremendous job of managing expenses, thinking like owners and managing different obstacles. I look forward to continuing the momentum from our two recent quarters and working with our team to build the Mister brand for years to come.

That concludes our prepared remarks, and we will now open the call for your questions.

Question-and-Answer Session

Operator

We will now begin the question-and-answer session. [Operator Instructions] The first question comes from Justin Kleber with Baird. Please go ahead.

Justin Kleber

Hey, good afternoon, guys. Thanks for taking the questions. First one is more short term. Just the cadence of comps, we know July was soft due in part to the hurricane that hit Houston. So just curious how much trends picked up in August and September? And then if you could put a finer point on how October is tracking just given you had the two hurricanes that hit the Southeast.

Jed Gold

Yeah, Justin, I think as we said in the prepared remarks, overall, we're really pleased with the momentum that we're seeing in the business right now. As you had highlighted, there was some impact from the hurricane that impacted July. But we saw sequential improvement each month during the quarter, and that continued into October. So August, September, we're in the mid-single-digit range and further improvement in October.

A few months doesn't make a trend. We believe that the guidance that we provided adequately reflects that trend and also the expectations that we have for November and December.

Justin Kleber

Okay. Thanks, Jed. That's great to hear. My follow-up, just on revenue per member, up 9% this quarter, similar to last quarter. Any perspective on how we should think about RPM growth in 2025 as you lap the Platinum pricing benefit and Titanium penetration gains could moderate? Are there other drivers we should be thinking about? Or is the comp next year more about reaccelerating member growth and just the trajectory of your retail traffic rather than seeing this kind of continuation of revenue per member increases? Thanks, guys.

Jed Gold

Yeah. And I think just to start there, I think we're pleased with -- I mean, the team has done a great job of helping drive that Titanium mix to about 24% during the quarter. That's obviously a big tailwind to the comp during the quarter. And as we think about how that plays out in Q4, what we've assumed in the guidance is a continuation at the same level of what we saw in Q3. We would expect some continued benefit from Titanium and that revenue per member into 2025. But we're -- at this point, we're not prepared to talk specifics on 2025. We'll provide a little bit more color, along with some guidance, on our Q4 call.

Justin Kleber

All right. Fair enough. Thanks again, guys.

Operator

The next question comes from Simeon Gutman with Morgan Stanley. Please go ahead.

Simeon Gutman

Hey, guys. I hope you can hear me. My first question is stickiness with Titanium. I may have missed it in the prepared remarks. Anything you can share with customers that are in that -- the highest tier? Can you talk about the in that level and at a same-store basis?

John Lai

Yes. Hey, Simeon. John here. So it's been amazingly sticky and strong. We haven't seen any degradation post-promotional closure. And as a result, we're just super thrilled with where we sit today at close to 25%.

Simeon Gutman

Okay. And then a follow-up. If you look at -- first the question, is there a comp spread between your highest market share markets and the lease penetrating market? And then, has that spread changed at all into the fourth quarter?

John Lai

Yes. I think it's been a pretty even distribution. To be honest with you, we haven't seen any unusual curves you would think that the bottom quartile, the lower cohorts would behave somewhat differently, but we haven't seen it. I think our interpretation is that, again, universal demand for our service spread across all income brackets. And again, it speaks to the appeal of car wash services and the broad appeal.

Simeon Gutman

Okay. Fair enough. Good quarter.

John Lai

Thanks.

Simeon Gutman

Have a good fourth quarter.

John Lai

Thanks.

Jed Gold

Thanks Simeon.

Operator

Next question comes from John Heinbockel with Guggenheim Securities. Please go ahead.

John Heinbockel

Hey John, I wanted to start with -- maybe expand a little bit on some of the marketing initiatives, right? And when you think about trial -- stimulating trial versus brand awareness, how do you think about that unaided brand awareness kind of progression there? And what you think is the right for this model? What is the right amount of marketing spend as a percent of sales?

John Lai

Yes. Hey John, so let me start there and then work backwards. So as we've shared previously, we have not been very promotional. We have not spent a lot of money in advertising. We plan to into Q4 and through 2025, quite frankly. But we really needed some data to support some of the return on ad spend metrics and customer acquisition cost goals that we've established.

So as we've discussed, being measured and thoughtful with respect to discounts and not pushing too aggressively on the discount button, but being more creative and broadening our reach quite frankly, in a funnel that is including new mediums. So the digital out-of-home specifically is a new space for us. There's quite a bit of experimentation going on there. We have started more with brand awareness than any offers specifically.

But we're encouraged by early-stage results. And again, it's too early to draw a direct line between some of our marketing efforts and what we're seeing in terms of traffic. But with the limited data that we have right now, it's emboldening us to continue on this current path, which is, again, increasing our ad spend, being more promotional, but making sure we're doing it in a smart way.

John Heinbockel

All right. Thanks. And maybe, Jed, just in terms of the retail improvement, right? Because I think if you look back over the last several quarters, retail sales, right, per location, probably running down low-singles or high-singles, low-doubles. You said it improved a lot in the back half of the quarter. Maybe quantify that a little bit? I think you're probably still in negative territory. And is there a sense of when you think maybe we get back to positive territory?

Jed Gold

Yes, John. So during the quarter, retail sales, they declined in the -- kind of in that mid to high-single-digit range during the quarter. And keep in mind, as we've talked about before, it's not uncommon for our retail sales to be down in kind of that mid to high-single-digit range because of the conversion retail customers into UWC. This has been an improvement from what we've seen in the last couple of quarters and obviously benefiting from that, Titanium.

When you look at it from a sales perspective, that revenue per customer is helping drive the retail sales improvement, and Titanium is behind that. There was a material improvement in those retail trends during the month of August, September and continued going into October. So we're optimistic with what we're seeing at the cadence of those retail comps during the quarter.

John Lai

Yes. Jed, if I can just add too. Having two major hurricanes back-to-back was pretty intense. So it's a little bit of a double-edged sword. So it temporarily impacts volume and our ability to wash cars, but then that pent-up demand. And it just, again, speaks to you at the end of the day, people love a clean car. And when their car is dirty for an extended period of time, one of the things we're particularly good at is when demand is at its peak post weather event, we're able to really maximize throughput and get cars through the turnstile.

So we never blame weather for missing budget. We never use weather as a force for why we're doing well. But as odd as it may sound, the weather has actually been favorable and helpful for us.

John Heinbockel

Okay. Thank you.

Operator

The next question comes from David Bellinger with Mizuho. Please go ahead.

David Bellinger

Hey, guys. Good afternoon. Nice results here. Just on the comp sales, up almost 3%, a clear reacceleration, probably your best pace in about two years. I want to also dig in on the retail improvement, especially in the back half of the quarter. Do you have an idea of just how much of that was internally driven? We've been talking about the new marketing tactics. I think some of those are in place now. Was that the key accelerant? Or is there some kind of like one-time Titanium customer coming in, helping pricing? Just -- anything else you could help contextualize the sequential improvement on the retail side?

John Lai

Yes, David, so thanks for that. Yes, and we're feeling really good about how the business is trending right now. Again, as I stated earlier, we've had favorable weather despite two big hurricanes. That pent-up demand really created a lot of dirty cars. And so our team hit it out of the park once those cars came back in.

Listen, the jury is still out if we've bottomed out on this kind of retail macro consumer where they sit right now. We are optimistic based on what we're seeing. There has been some market initiatives that we think have had some impact. But quantifying that is difficult for us at this time just because we don't have enough data points.

David Bellinger

Got it. And just my follow-up too, here on the CapEx piece. The CapEx on new stores your guidance range is coming down by more than 10%, but your greenfield target isn't changing. So can you help us reconcile that piece? Is there something new you're doing within the new unit builds or some source of cost savings that you're finding there?

Jed Gold

David, I mean, we're always looking for ways to build those greenfields more efficiently. Don't read into that. A lot of that is just the timing, right, of when the spend actually goes out relative to when the stores opening. As we talked about, the greenfield openings have shifted to later in the year. We're still optimistic about the approximately 40. We're still optimistic as we look into 2025 and being able to build even more greenfields than what we're building in 2024. That's just a rightsizing of the CapEx spend that we've seen year-to-date and what we expect in the balance of year.

David Bellinger

Thanks, guys. Very helpful

Operator

[Operator Instructions] The next question comes from Michael Lasser with UBS. Please go ahead.

Michael Lasser

Good evening. Thank you so much for taking my question. What have you seen with regards to the conversion of retail customer members as late? Obviously, the question is due in part to the metric of members per store accelerating at a continued pace in the third quarter. It looks like it was down around 6%, which was a slight weaker -- slightly weaker outcome than you had seen in the last few quarters?

John Lai

Yes. Hi, Michael. So you're right, there's been a slight contraction in net members overall. And again, that's due primarily to the softness in retail overall. And then also our focus over the last year on upgrading the existing members in the Titanium and upgrading to Platinum. So due to that focus on the softness in retail, we have seen a slight decrease in that members. I will say to your last -- the last point in your question, we've been very, very good at converting and those numbers remain consistent, almost 10% conversion rates, which we're happy with. I also think it's important just to kind of put this into context that our average members per store are two times greater than the industry average. So we enjoy -- we come to the table with industry-leading membership per store.

And that -- so as we continue our march to grow and add to our stores with more options for our members, we have stores that we think are pushing the envelope in terms of peak, the number of cars that they can process during peak periods. We're actually taking a different approach to how we densify and seeing we can take some relief off of those high-demand stores.

Jed Gold

Michael, just to add that a little bit. When you look at that member per store, obviously, it's impacted by the number of new builds coming online. So the new stores -- the 10 new builds that we had during the quarter, will pull that down a little bit. So as we think about Q4 and opening approximately 15 to get us to approximately 40, it's going to have a little bit of a headwind to that member per store. And then to the first part of your question around conversion rates, they've been relatively consistent in that low double-digit range.

Michael Lasser

Got you. Very helpful. My follow-up question is recognizing that you don't want to provide guidance for 2025. It does seem like a key driver of the business into next year will be the degree to which Mister Car Wash can stabilize same-site membership. Recognizing that there is some force cannibalization, will it be a challenge to stabilize this metric in part because you've had members of churn out that where there's maybe price was an issue. And on top of that, with more competition, some other potential members have been tied up by memberships at your competitors?

John Lai

Yes. Michael, again, you're famous for -- that was like a five-part question with a little bit of comment.

Michael Lasser

Sorry. I'm sorry.

John Lai

You have been master.

Michael Lasser

You been good at.

John Lai

But let's go down that path. So with respect to the competitive environment, we're actually seeing less encroachment right now, less competitive intrusion. It's still out there, don't get me wrong. But that that rate of growth, as we've previously shared, is starting to pull back. So should bode well for us with less people trying to open up across the street, if you will. And then I forgot the first part of your question?

Jed Gold

Just the drivers of 2025.

John Lai

Yes. So we're going to continue to focus on all the fundamentals and things that we do really, really well. Right now, for us, the primary focus is driving retail traffic. And once we crack the code and do that in a material way, again, back to our 10% capture rate, we think that we can get back on that growth run from a membership standpoint, but it really starts with driving retail traffic.

Jed Gold

Yes, Michael, just to remind you, when you're looking at UWC on a quarter-over-quarter basis, there is some seasonality to where we see about 60% to 75% typically of our UWC membership growth during the first half of the year. So when comparing Q3 versus Q2, historically, there's always been a little bit slower member growth in Q4, even a little bit more pronounced relative to Q3.

I mean, the other thing I would say about 2025, while you're right that membership per store is an important metric, I mean the other thing we're watching, obviously, and encouraged by is retail and how retail is trending, which is a barometer of how membership growth is going to grow. But that revenue per member as well. Titanium, obviously, is a nice tailwind in helping driving revenue per member. We'll expect that to continue to a certain extent into 2025.

And then frankly, we've talked quite a bit about churn reduction initiatives and what we can do to reduce churn. And then what happens to conversion rates, those two to a lesser extent. But there are some other levers that we can focus on as a team to help drive 2025 beyond just membership per store.

Michael Lasser

Thank you very much. Good luck.

Jed Gold

Thanks.

Operator

The next question comes from Christian Carlino with JPMorgan. Please go ahead.

Christian Carlino

Hi, good evening. Thanks for taking my question. Could you talk about, I guess, what's your sense of where the market is growing right now? And how is your relative performance evolved over the year? Has the industry seen a similar bump into 3Q? Or is this an improvement in your share position?

John Lai

So again, as I just said, the number of new units coming into the category is receding this year, and we expect it to decline again in 2025 based on what we've been seeing. We don't have insight into how our competitors are performing. So we can only speak to what we're doing. And we're seeing, again, sequential quarter-over-quarter growth, and we're feeling very optimistic about the trends currently in the business. And we've put in place a lot of really good things to drive top line and bottom line, and we're enjoying that.

Christian Carlino

Got it. And I guess, could you talk to like what's the sustainable level of wage growth over time? I think you had talked about bumping up to 6% in the back half of this year. I think broader retail wages are still -- are growing back at like a normalized low single-digit level. So I guess, could you just think -- talk about how you're thinking about wage rate growth over time?

Jed Gold

Yes, Christian. So as we look at the quarter and wage rates, we're actually happy -- really happy with where Q3 came in relative to our expectations. While we had modeled and included in our Q2 commentary, it was a plus 6% wage inflation, we actually saw a plus 4.3% compared to last year. That's compared to plus 3.8% in Q2. Listen, this is a part of the equation that's important to Mister. We want to have best-in-class frontline talent, and it's a key ingredient to providing that consumer experience that we strive for. So making sure we're paying competitively is important to us. And as far as for Q4, we expect Q4 to be in line with what we saw in Q3.

Christian Carlino

Got it. Thank you very much.

Operator

The next question comes from Robby Ohmes with Bank of America. Please go ahead.

Unidentified Analyst

Hi, thank you for taking our question. This is [indiscernible] on for Robby Ohmes. For greenfield, do you have a preference between building Express extrication and interior cleaning locations? And then for the long term, is there an ideal split? Because currently, it's 50% interior. Do you expect to continue that in the long term?

John Lai

Yes. Our focus is on the Express exterior category. The demand for that service is super strong because it offers incredible convenience, quite frankly, the ability to get in and out in 5 minutes, in some cases, allows people like to get on with their day with a super clean car. It's also an easier model for us to scale. And while the dollar profit comparison between an interior clean and Express are somewhat similar to the margin profile is much stronger on the Express side. So for us, we're pretty myopically focused. There is strong demand for interior clean services. We operate almost 70 of them, and they're really, really great stores. But in terms of expansion, we're really, really focused on Express.

Unidentified Analyst

Got it. Thank you so much.

Operator

[Operator Instructions] The next question comes from Ms. Sabrina Baxamusa with William Blair. Please go ahead.

Sabrina Baxamusa

This is Sabrina on for Phillip Blee. Thanks for taking our question. Given the improvement in retail trends, could you provide some color on the broader demand trends, maybe by income level?

John Lai

Yes. Again, it's been pretty consistent across the board. We haven't seen any unusual when we slice and dice it by average household income. Again, you would think that the bottom quartile would behave differently. But we're just not seeing that. So it's a little head scratching, to be honest with you. And our interpretation again is that the universal appeal of carwash services and the fact that, if anything, if people have been holding back, they're starting to come back because their cars are really dirty and they want to get them clean.

Jed Gold

Yeah. Sabrina, just a little bit more on that. So that's for the -- for Q3, it's pretty consistent across all the income demographics. That's a little bit different than what we saw in Q1 and Q2 where those lower income demographics, it seemed like they were under a little bit more pressure. So we're pleased to see that lower income demographic bounce back just a little bit from how they had been trending.

Sabrina Baxamusa

Got it. That's helpful. Thank you. And then a quick follow-up. Is there any longer term impact related to churn or membership usage, given the duration of the hurricane and storms?

John Lai

No. We don't believe so.

Sabrina Baxamusa

Got it. Thank you.

Operator

The next question comes from David Lantz with Wells Fargo. Please go ahead.

David Lantz

Hey, good afternoon guys. Thanks for taking our questions. Just wanted to see if you could provide an update on the M&A market and if multiples continue to trend down to more ideal levels here?

John Lai

Yes, it's been pretty quiet on the M&A front. We haven't seen a lot of transactions of any significant size, quite frankly, over the last year. Multiples have come down and anything that is trading is in the low double-digit, high single-digit range, which I think is healthy given where we're trading.

David Lantz

Got it. That's helpful. And then on G&A, curious if you can just talk about some of the puts and takes we should consider when thinking about modeling Q4?

Jed Gold

On the G&A front, there'll be, maybe just a little bit of an uptick is what we're modeling in Q4 relative to Q3, simply with some of the incremental investments that we're making on the marketing front and some of the tests that John had talked about. But then also a little bit on headcount and a little bit on systems. So a -- when you're looking at the absolute G&A dollars, just a modest uptick, call it about \$1 million, Q4 versus Q3.

David Lantz

Got it. That's helpful. Thank you.

Operator

This concludes our question-and-answer session. I would like to turn the conference back over to Mr. John Lai for any closing remarks.

John Lai

Well, thanks, everyone, for joining the call. We feel very optimistic about the trends in the business. We're looking forward to executing through Q4 and into 2025. We hope everyone has a happy Halloween, and we'll talk to you guys in the next quarter.

Operator

The conference has now concluded. Thank for attending today's presentation. You may now disconnect.

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