



CAR WASH INDUSTRY PERSPECTIVE

Confidential

NB Group sees a compelling opportunity to invest in and consolidate the Express Car Wash space

After extensive research and evaluation of several multi-unit retail models, we have identified Car Washes – specifically Express - as a highly attractive area for us to invest

The Car Wash market is undergoing a transition away from full service and self-serve models to “express” formats that are quicker, cheaper, and more environmentally friendly. Macro market trends – growing US car fleet, increased environmentalism, etc. – provide strong underlying support for market growth.

Express Car washes possess high margins, stable revenue, and low capex requirements. Additionally, adoption of recurring revenue membership models is growing.

The car wash space remains extremely fragmented. NBG thesis is focused on consolidation of the Express segment through add-on acquisitions, creating opportunity for multiple arbitrage and to drive operational efficiencies.

Opportunity for NBG to partner with a great operator with an existing footprint that can be used as a platform to create a larger regional player through add-on acquisitions. NBG can help lead consolidation in the industry and create a scale player.

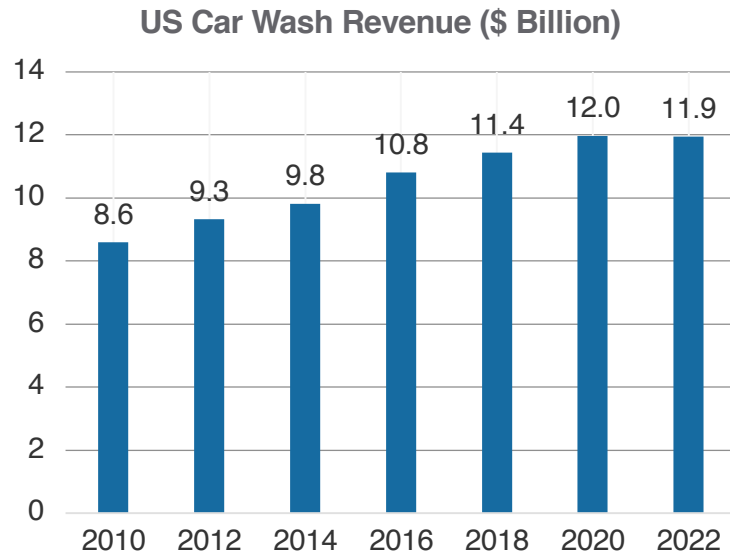


Express car wash industry has several attractive characteristics

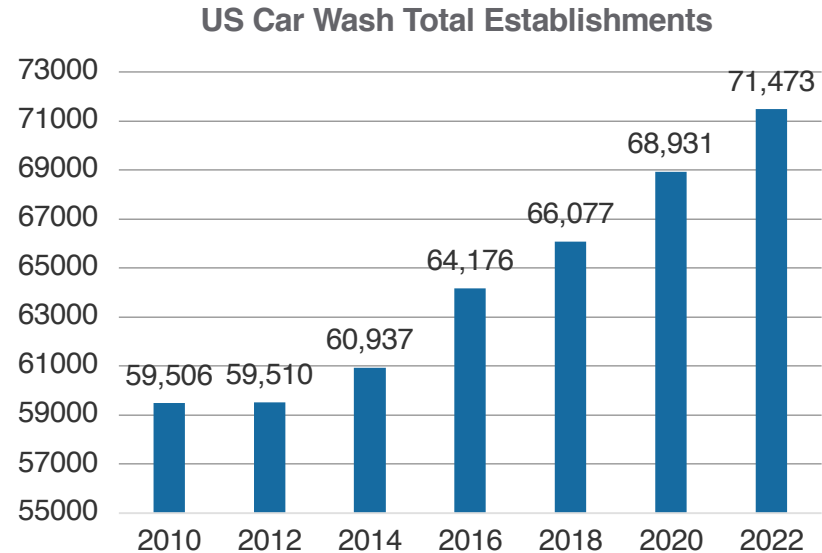
	Industry Characteristics		Description
1	Stable and growing industry	➔	<ul style="list-style-type: none">3.1% industry CAGR over last ~5 yearsLimited threat of technology disruption. At-home car washing in decline, many local residential areas putting in place water use restrictionsDecline in consumers washing at home (e.g. 38% of consumers washed at home in 2005 vs. ~28% in 2014)
2	Attractive 4 wall economics and cash flow generation	➔	<ul style="list-style-type: none">Well-run operators can have \$1.5m+ sales per location and 50%+ EBITDA margins (excl. rent), some operators significantly betterLow <u>ongoing</u> capex requirements, limited working capital
3	Industry transition towards lower cost Express formats	➔	<ul style="list-style-type: none">Traditional full service models under pressure from Express formats with \$3-5 entry price pointLow cost model is highly compelling to consumers, will drive increased wash volume
4	Recurring revenue models gaining traction	➔	<ul style="list-style-type: none">Adoption of membership models by consumers is growing driven by adoption of Express formats
5	Opportunity to drive synergies through scale	➔	<ul style="list-style-type: none">Better operators can drive operational best practices (e.g. upsell customer)Procurement savings grow with scale [TBC]Fixed cost leverage (e.g. regional manager cost spread out over more revenue as scale grows)
6	Highly fragmented industry	➔	<ul style="list-style-type: none">Vast majority of the 28k dedicated locations are independently owned by 1-3 location operatorsTop 4 companies account for ~5% of industry sales. Largest platform – Mister Car Wash – only has ~270 locations.
7	Attractive add-on acquisition multiples, financing options	➔	<ul style="list-style-type: none">1-3 unit operator acquisitions available at reasonable multiplesSale-leaseback opportunity can free up cash

US car wash industry is a stable and growing \$12+ billion market

Industry revenue is growing steadily



Driven by growth in establishments



- Steady growth in both revenue and establishments provides market growth to support investment thesis
- Note: Of 66k total car wash units, ~26k are dedicated to car wash only while an additional ~40k are associated with gas stations, C-Stores, etc.



Three primary industry formats; NBG focused on Express

Formats	Price	Time & Format	Labor Cost	Other services	Other
Full Service	\$10-20+	15-20 mins, exterior and interior, car owner may have to exit car	40%+ of revenue	Lube, C-store, fuel, hand wash	May require larger physical footprint
Express	\$3-7	~5 mins, exterior only	~20% of revenue	Self-serve vacuum, additional upsells (e.g. wax)	
Self-Serve	\$3-7	15-20 mins		Self-serve vacuum	

NBG Primary Focus



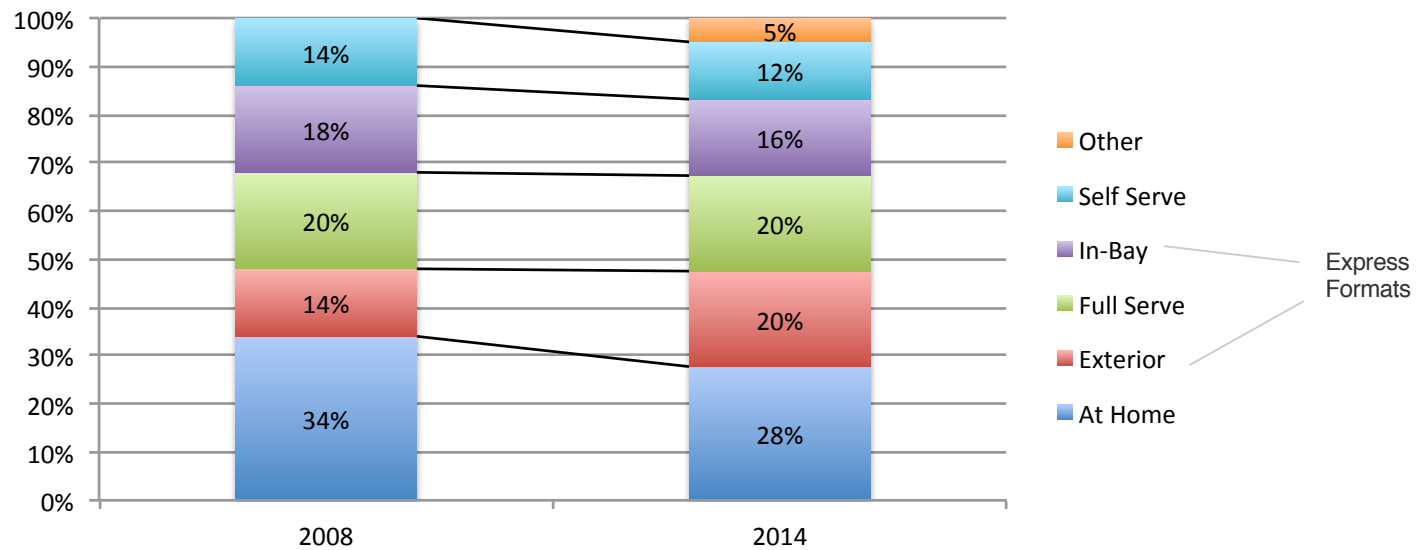
Express example (conveyor belt format) with self-serve vacuums



Self-serve example

“Express” Formats gaining share and helping drive consumer’s frequency of use

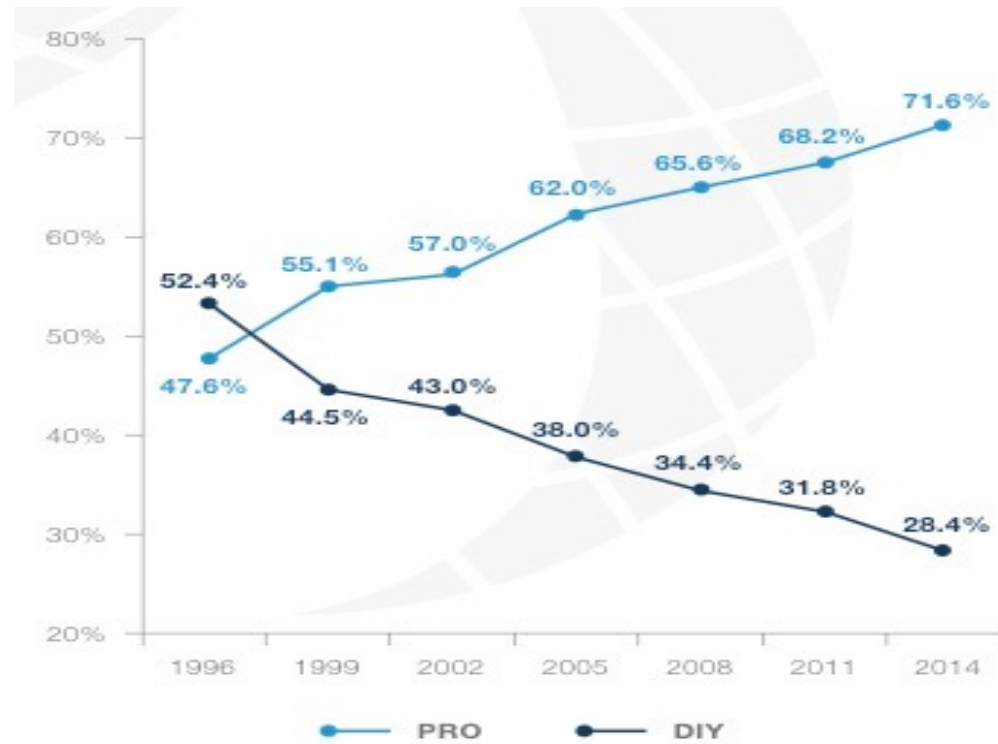
Where Consumers Washed their Car Most Often: Type of Format



Conveyor formats in particular are quickly gaining share

- ▣ ▣ Consumers increasingly utilizing car washes rather than washing at home, driving industry growth

Where Consumers Washed their Car Most Often: At Home vs. Professional



Drivers of trend: lower cost professional formats, y, z,

- Industry is shifting to Express formats given several advantages they offer

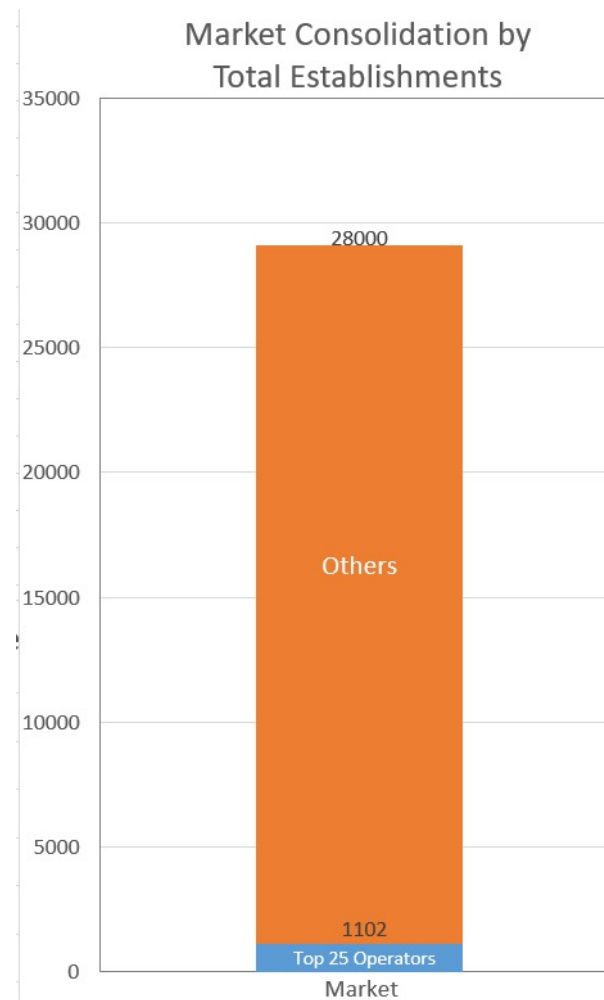
Key advantages offered by Express formats

1. Smaller physical footprint
2. Lower labor requirements (50%+ lower as a % of sales) lead to better margins
3. More compelling consumer value prop (faster, cheaper, and less effort)
4. Lower price helps solve consumer's #1 barrier to car wash adoption, which is expense.
5. Better operating economics make it easier for Express formats to offer membership plans
6. Growing consumer focus on the environment is boon for Express formats, many of which can recycle 80%+ of water

Express formats gaining share (e.g. 90%+ of all new tunnel car washes built in 2017 were for Express format)

Full service and self-serve players converting to Express model

- Industry remains extremely fragmented, Top 25 chains account for <5% of the total ~28K dedicated car washes in the US



Express Washes have challenges, but they can be mitigated

NBG viewpoint & Mitigants

1

Competition likely to intensify given interest in space

- New/expanded competition could include big box retailers, car dealers, and gas/convenience stores
- Well-run operators can withstand greater competition though mom and pop owners will be squeezed as consolidation increases
- Barriers to entry include high startup costs and lack of available land for new washes
- Adoption of membership models will also help drive customer retention

2

Limited competitive differentiation

- Difficult to offer a truly differentiated product
- Similar to other multi-unit retail markets (auto repair, gyms, etc.), excellence in operations and real estate selection can differentiate. Additionally, scale brings operating synergies and drives exit multiple.
- Opportunity to build brand power in local markets and to differentiate through sophisticated marketing

3

Few existing scale platforms to invest in

- Given extreme fragmentation, limited number of express chains with scale (~45 chains with 10+ units; 100 with 5+)
- Due to high AUVs and profitability, even smaller platforms have threshold cash flow
- NBG willing to start with smaller platform (4+ units) and grow aggressively with add-ons

NBG ideal investment criteria for a Express Car Wash platform acquisition

NB Group is seeking to acquire a US or Canada based company with an existing footprint of Express car washes. Below is meant as general guidance, we are highly flexible and will look at variety of situations.

General Criteria for Express Car Wash Platform Investment

- **Financials:** \$2M+ EBITDA with history of consistent performance
- **Operations:** 4+ locations, consistent wash volumes, leverage new technologies
- **Format:** express convey car washes, can include self-vacuuming capability and/or other services
- **Growth:** opportunity to accelerate through add-on acquisitions, new units, and/or operational improvements
- **Geography:** anywhere in US or Canada; existing units should be in a single geography with opportunity to grow regional footprint
- **Investment type:** preference for majority acquisition, will also consider significant minority investment
- **Management:** flexible, open to either management staying or putting in place new leadership.
- **Other:** preference for seller rollover equity of 10% or much more



Top 25 Car Wash Chains (as of late 2019)

Rank	Company	Units	Headquarters	Locations	Ownership
1	Mister Car Wash	264	Tuscon, AZ	21 states	Leonard Green
2	Zips Car Wash	140	Little Rock, AR	15 states	Individual
3	International Car Wash Group		Centennial, CO	14 Countries	Roark Capital
4	Autobell Car Wash	81	Charlotte, NC		Individual
5	Quick Quack Car Wash	74	Roseville, CA	6 states (west)	Individual
6	Wash Depot Holdings	49	Malden, MA	13 States	Individual
7	True Blue Car Wash	48	Scottsdale, AZ	3 states	Individual
8	Raceway Express Car Wash	35	Phoenix, AZ	4 states	Clear Sky Capital
9	Golden Nozzle Car Wash	34	Springfield, MA	2 states	F.L Roberts and Co.
10	Crew Car Wash	31	Indianapolis, IN	Indiana	Individual
11	Delta Sonic	29	Buffalo, NY	3 states	Individual
12	Terrible Herbst	29	Las Vegas, NV	NV	Individual
13	Brown Bear Car Wash	26	Seattle, WA	Washington	Individual
14	Wash Tub	26	San Antonio, TX	Texas	Individual
15	Mike's Car Wash	23	Loveland, OH	4 states	Individual
16	Russel Speeder's Car Wash	23	Norwalk, CT	5 states	Individual
17	Sam's Xpress Car Wash	23	Matthews, NC	North Carolina	Individual
18	Blue Wave Express	22	San Rafael, CA	Texas and CA	Individual
19	Mammoth Holdings	22	Atlanta, GA	Georgia	Red Dog Equity, Pritzker Family, Monroe Capital
20	Tidal Wave Auto Spa	22	Atlanta, GA	Georgia	Individual
21	Waterway Car Wash	22	St. Louis, MO	2 states	individual
22	Cobblestone Auto Spa	21	Phoenix, AZ	Arizona	Individual
23	Fuller's Car Wash	20	Hinsdale, IL	4 states	Individual
24	Prime Shine Car Wash	20	Modesto, CA	CA	Mister Car Wash
25	Super Star Car Wash	20	Chandler, AZ	AZ	Individual
	Total Top 25	1104			

Note: above list is conveyor car wash chains only
 Source: Commercial Plus