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Car Wash Industry Market Update

Car Wash Market Update

The express car wash industry is experiencing notable turbulence, underscored by the recent Zips Car Wash bankruptcy filing. This development highlights broader stress in the sector, primarily stemming from poor capital allocation decisions, excessive leverage, and missteps in real estate strategy. However, despite these challenges, the fundamentals of the car wash business remain strong—provided operations are executed effectively.

The Zips Bankruptcy: A Case Study in Overextension

Zips' rapid expansion strategy, fueled by aggressive debt financing and high multiples on acquisitions, ultimately proved unsustainable. Like other high-growth operators, Zips prioritized footprint expansion over unit-level profitability, often acquiring locations with suboptimal real estate or overpaying for sites that failed to meet cash flow expectations. As capital markets tightened and debt service costs increased, the cracks in this model became evident, leading to financial distress and, ultimately, restructuring.

Market Conditions: Stress, But Not Structural Weakness

While the Zips case is a cautionary tale, it is not indicative of an industry in decline. Instead, it reflects a period of necessary correction. Many operators over-leveraged their portfolios in pursuit of scale, often prioritizing growth over operational discipline. With rising interest rates and more discerning lenders, the market is now rewarding operators who focus on execution, efficiency, and customer experience rather than sheer expansion.

The Path Forward: Operations Drive Success

The express car wash model remains fundamentally sound when executed properly. Key drivers of long-term success include:

Real Estate Strategy: Location still matters, but selecting sites based on traffic patterns, demographics, and long-term sustainability—rather than just expansion goals—is critical.

Capital Discipline: Sustainable growth requires balancing leverage with strong unit-level performance, rather than relying on aggressive debt financing.

Operational Excellence: Equipment uptime, membership retention, customer service, and cost control are key differentiators in an increasingly competitive market.

Data-Driven Decision Making: Operators who leverage technology to optimize pricing, labor, and customer engagement will outperform those relying on outdated strategies.

Conclusion: The market is rationalizing

Zips' bankruptcy and the broader industry stress should not be seen as a signal that the express car wash model is broken. Instead, it underscores a shift from speculative, debt-fueled growth to a focus on operational execution and sustainable profitability. Well-run operators who prioritize smart capital allocation, real estate discipline, and operational efficiency will continue to thrive in the evolving market. ***The key takeaway: operations matter.***

Looking to Sell? We have buyers with an immediate need for high-volume express washes.

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Public Market Overview

Mister Car Wash

Despite reporting strong financial performance in the fourth quarter of 2024, Mister Car Wash (NYSE: MCW) has experienced a decline in its stock price over the past year. As of February 21, 2025, the stock opened at $7.55, reflecting a decrease of approximately 13.22% over the past 52 weeks.

Financial Performance

Revenue Growth: Q4 2024 net revenues increased by 9% year-over-year to $251.2 million.

Comparable-Store Sales: Experienced a 6.0% growth in the same period.

Adjusted EBITDA: Rose by 13% to $78.3 million in Q4 2024.

Stock Price Drivers

Analyst Downgrades: In August 2024, eight analysts downgraded MCW, with no upgrades, contributing to negative sentiment.

Valuation Concerns: As of October 2024, the company's P/E ratio stood at 29.6x, higher than the market median of 18x, suggesting valuation concerns.

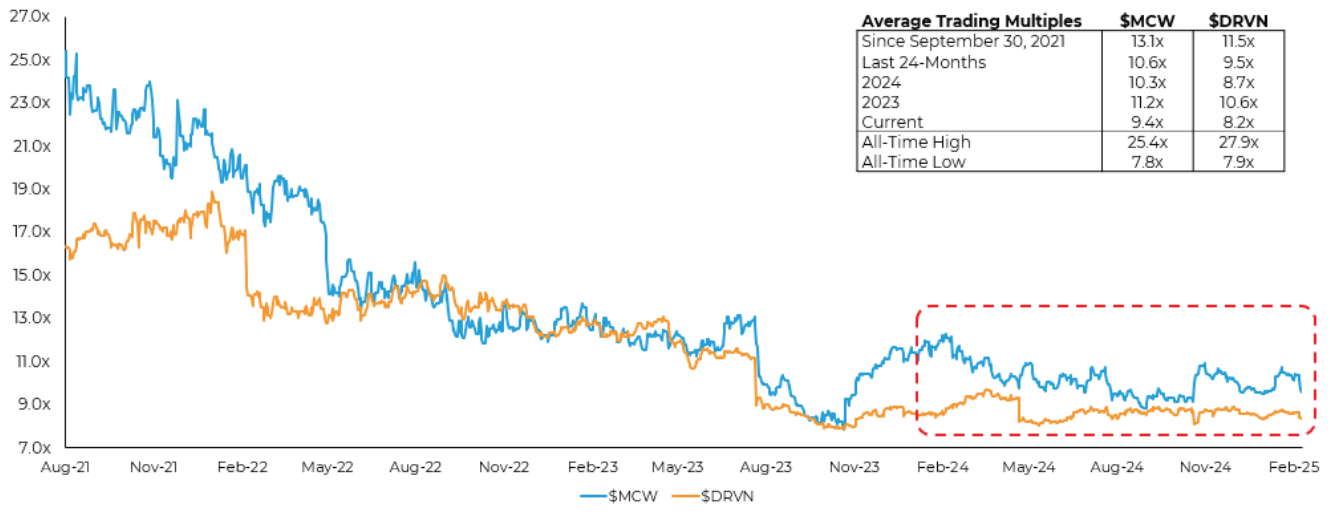
Insider Selling: Recent insider activity indicates a trend of selling shares, which can signal potential concerns about future performance.

Valuation Multiples

Price-to-Earnings (P/E) Ratio: As of December 3, 2024, the forward P/E ratio was 16.3x, down from 24.8x in FY2023, indicating a contraction in valuation.

Enterprise Value-to-EBITDA (EV/EBITDA): As of February 21, 2025, the EV/EBITDA ratio is 11.79x, suggesting a decrease from previous levels.

Forward Valuation: TEV / FY+1 EBITDA (Aug-21 – 2025 YTD)



Average Trading Multiples	$MCW	$DRVN
Since September 30, 2021	13.1x	11.5x
Last 24-Months	10.6x	9.5x
2024	10.3x	8.7x
2023	11.2x	10.6x
Current	9.4x	8.2x
All-Time High	25.4x	27.9x
All-Time Low	7.8x	7.9x

Public Market Overview

Driven Brands

In the third quarter of 2024, Driven Brands reported a 2% increase in revenue, totaling $592 million. This growth was driven by the addition of 56 net new stores and a 1.1% increase in same-store sales, marking the company's 15th consecutive quarter of positive same-store sales growth. Adjusted EBITDA for the quarter reached $138.8 million, with an adjusted EPS of $0.26 per share. (Note: DRVN is scheduled to release Q4 and FY 2024 earnings on 2/25).

On February 25, 2025, Driven Brands announced that the company entered into a definitive agreement to sell its U.S. car wash business to Express Wash Operations, LLC dba Whistle Express Car Wash for $385 million. The transaction is anticipated to close in Q2 2025.

Stock Price Drivers

Earnings Performance: In Q3 2024, Driven Brands reported revenue of $592 million, a 2% increase from the prior year, with system-wide sales of $1.6 billion, up 2%.

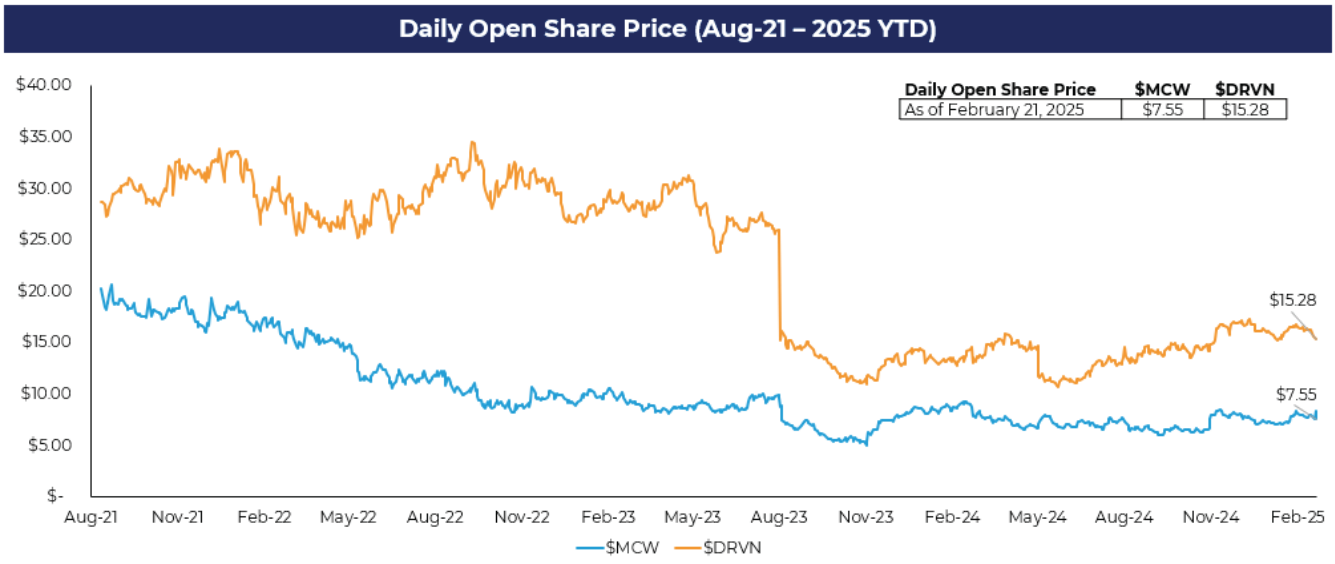
U.S. Car Wash Business: The Car Wash segment faced challenges, with adjusted EBITDA declining 37.5% to $24.43 million in Q3 2023, primarily due to decreased same-store sales and increased operational costs.

Analyst Ratings: The stock holds a "Buy" consensus rating, with an average 12-month price target of $18.23, suggesting a potential upside of approximately 20%.

Valuation Multiples

Price-to-Earnings (P/E) Ratio: As of December 2024, the forward P/E ratio was 16.3x, down from 24.8x in FY2023, indicating a contraction in valuation.

Enterprise Value-to-EBITDA (EV/EBITDA): As of February 21, 2025, the EV/EBITDA ratio was 10.44x, reflecting a downward trend from the end of FY2024.



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Recent Transactions

Recent Transactions

As a car wash operator, you're likely aware of the changes happening in the industry. At Amplify Capital Group, we specialize in helping car wash owners like you navigate the dynamic market landscape to unlock the full value of their business.

Our team has completed several high-profile transactions which provide real-time optics into trends driving M&A activity, including **Epic Shine** (read the press release), **Glint Car Wash** (read the press release), and **Amp Membership** (read the press release). Our team brings unmatched expertise in car wash valuations and acquisitions, providing you with actionable insights into:

- **Current market trends** impacting car wash businesses.
- **Recent high-profile transactions** and what they mean for valuations.
- **Opportunities** to maximize your return when you decide to sell.

We'd love to share a complimentary, no-obligation valuation of your business and discuss how recent market trends could impact you. Additionally, Jeff Pavone and Chris Jenks, partners at Amplify, recently discussed many of these themes on a recent edition of **Wash Talk** (click here to listen).

Let's connect to explore your options.

Give us a call to schedule a confidential consultation.

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