

# Hallandale Car Wash Investment Deck

January, 2021



# Investment overview

## Summary of terms & Strategic plan

Build a best-in-class modern car wash business in the New Jersey region



Roll up 15 prime location car washes over five years, creating a **premier regional brand**



**Convert** traditional car washes into **modern**



Express Exterior car washes, **increasing profitability** and recurring revenue



**Sell the platform** to a strategic or institutional investor

Equity Target	Lorem ipsum
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5 Year Target MOIC	Lorem ipsum
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5 Year Target IRR	Lorem ipsum
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Liquidation Preference	Lorem ipsum
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First rights on pro-rota follow-on equity contributions as the business scales.  
Customary minority rights and protections.

# Executive summary

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## Point 2

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## Point 3

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# Express exterior model

## Substantial improvement over traditional car washes

The Express Exterior operating model is a modern evolution of the car wash business. Modern car washes are **tech-enabled, customer centric sites that focus on high processing speeds**, low ticket price, and automated services.

### Express exterior



#### Customer experience

- High focus on the customer experience through **speed and convenience**
- Professional staff, clean sites, free modern vacuums, convenient towel exchange programs, and other such **details designed to foster customer loyalty**



#### Monthly plans

- Monthly plans are **core to the strategy**
- Technology improves the customer experience and leads to **better member retention**
- Attractive relative pricing, targeted marketing **encourage customers to become members**



#### Site Quality



15 Est. in New Jersey

### Traditional exterior

- **Higher wait times** and slower service
- Low tech, dingy, **unprofessional**, and unenjoyable
- Commodity approach with **minimal attempts to differentiate** based on quality of service and customer experience

- Typically, do not focus on monthly plans
- If offered, they **do not have the proper technology**
- If offered, they are **not priced correctly** and/or are not marketed properly



350 Est. in New Jersey

# Acquisition strategy

## Site identification and acquisition as a core competency developed over years in the market

■ Spark's primary competitive advantage is driven by **management's differentiated acquisition strategy**.

■ Kyle has spent **three years** assessing hundreds of car wash assets across the state. He has visited numerous high interest locations and has a relationship with many owners, uniquely positioning Spark **to acquire the best assets**.

### Targeted Site Acquisition Economics

Brand	Purchase Property	Lease Property
Total Project Cost <sup>1</sup>	9	13 %
LTV	9	13 %
Equity Requirement	7	10 %
Post-Conversion PF EBITDAR <sup>2</sup>	5	0,7 %
Rent	5	-
PF EBITDA	4	-
Implied Purchase Multiple	4	-

1. Total Project Cost = Purchase Price+ Conversion Cost  
2. EBITDAR = Earnings before Interest, Taxes, Depreciation, Amortization, and Rent

### 1. Screening

Compilation and multi-variable assessment of a Database of all car washes in the New Jersey region, including neighboring states

### 2. Sourcing

Targeting Tier 1 locations through various direct and indirect channels enabled by local network

### 3. Evaluating

Due diligence on the local market, demographics, competition, structural and equipment conversion requirements, site plan efficiency options, environmental conditions, and go-to-market strategy, among other items

**700+**  
locations  
in Target  
region

**70+**  
Tier 1  
locations

**Evaluate  
5-10  
Per Year**

# Customer acquisition

## Industry leading customer acquisition and retention tools



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Customer acquisition is geared towards recurring **revenue from monthly memberships**. Successful membership programs attract consumers through **systematic marketing**, provide the customer long-term value, and maintain the customer relationship

- Memberships are purposefully priced **slightly below 2x a single wash price**
- For example, a single car wash priced at \$8 would have a monthly membership option priced at \$15



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Go-to-market campaigns are critical **to establish awareness** and early momentum for newly launched locations. Stages include:

1. **AWARENESS CAMPAIGN** (90 Days): Pre-launch activities include social media ads, geofencing, and direct mail promotions
2. **GRAND OPENING** (15 Days): Two weeks of free washes create community buzz and monthly member lead generation
3. **NURTURE CAMPAIGN** (60 Days): Customers who have not opted for a membership are entered into an email/text campaign



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Standard marketing efforts commence following the conclusion of the **go-to-market campaign**

- On-going marketing is focused on customer acquisition as well as reputation management on social media and review sites
- Marketing activities include **targeting** various local **audiences, retargeting** former members, and retaining existing customers



# Representative transaction – financials

## Individual locations generate high levels of stable cash flow

■ **Mild revenue variability** due to:



**SEASONALITY:** Sales have traditionally been split across Winter (39%), Spring (23%), Summer (15%), and Fall (24%)



**DAY OF WEEK:** Friday through Sunday account for 57% of all washes, including 26% on Saturdays



**WEATHER:** Unusual weather can cause a positive or negative revenue impact of 10% annually. A strong membership plan can reduce the impact to 5%

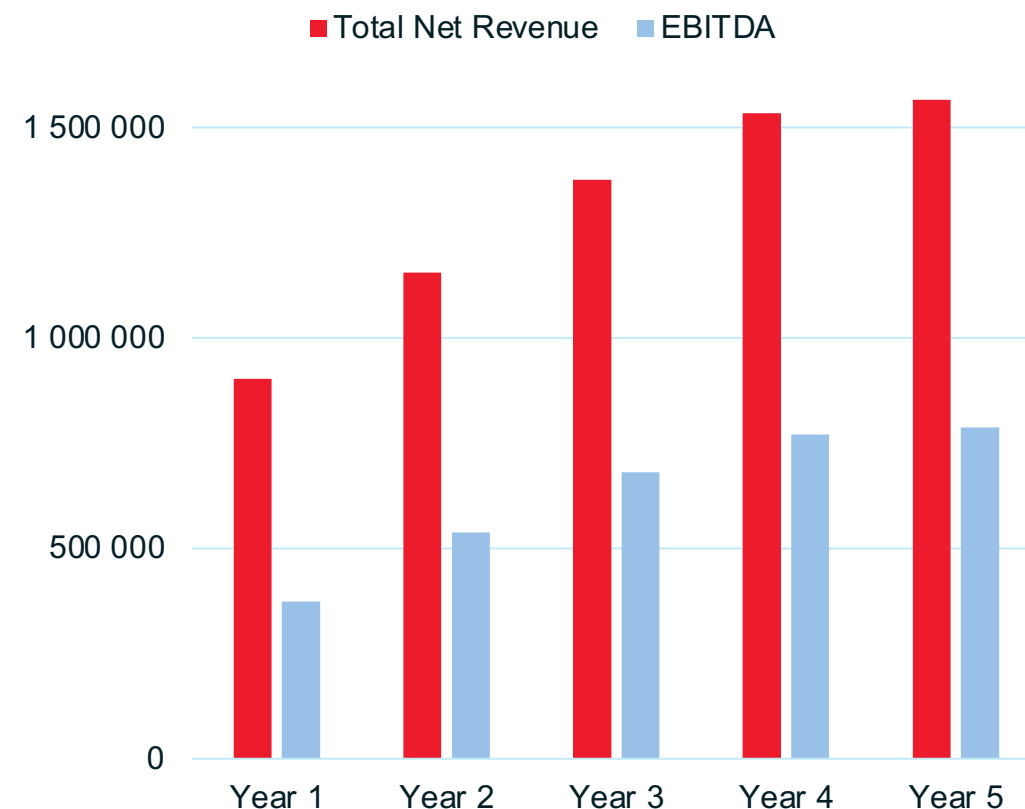


**SNOW/SALT** benefit sales, while rain detracts from sales

■ Revenue variability has been significantly **moderated by monthly membership plans**

■ Significant upside exists relative to base case **EBITDA of \$650k**

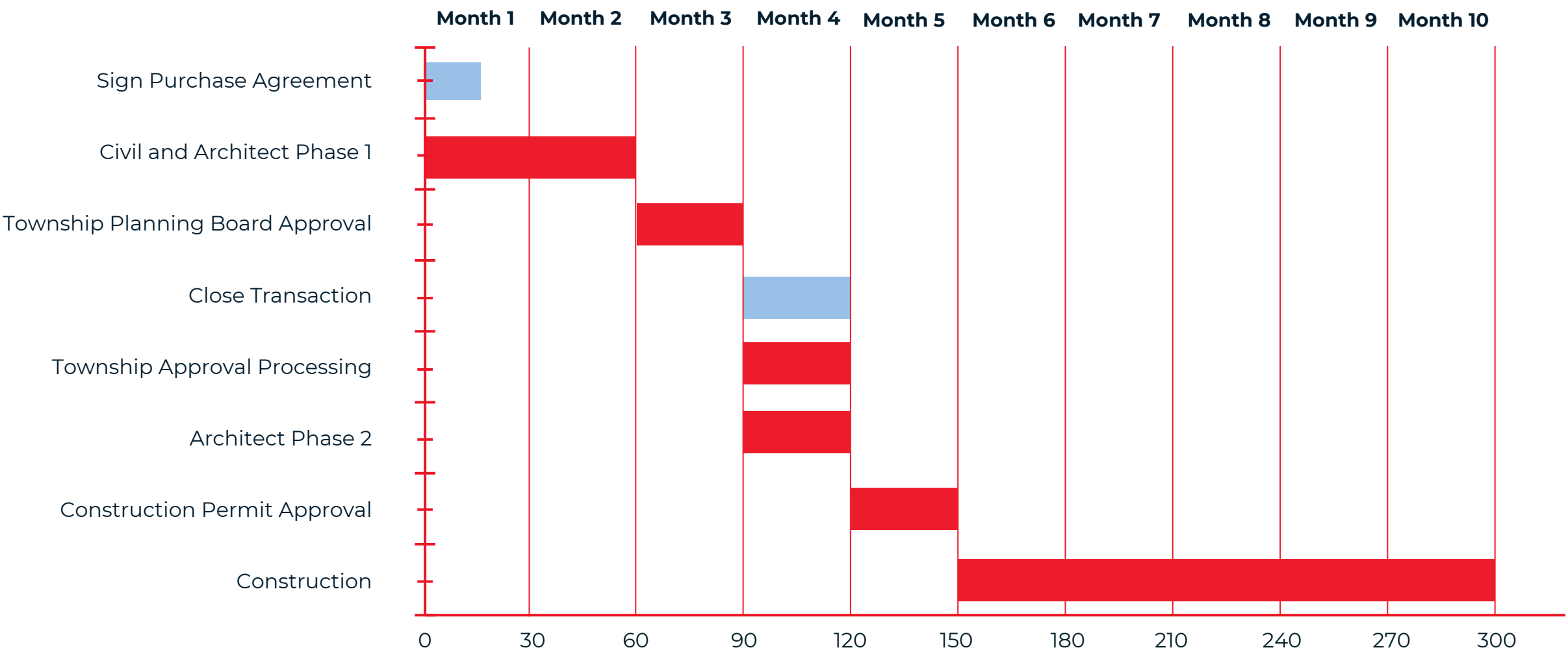
■ Sicklerville financial projections were independently **validated by an expert consultant**



**Model assumes site maturity at \$XXXX**

# Typical conversion process

Conversions require ten months for design, approval and construction





# Operations

## Best-in-class operations driven by a culture of excellence



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# Investment risks and key mitigating factors



## ASSET ACQUISITION

### SPARK MAY NOT BE ABLE TO ACQUIRE CAR WASHES AT THE TARGETED PRICES OR AT ALL:

- The Company believes there are **multiple targets** available, primarily sourced through management's extended network.
- Spark has **already acquired one location** and has two more ready for purchase.
- The economic uncertainty surrounding COVID-19 is expected **to keep asset prices low over the next 12-24 months**.



## SITE PERFORMANCE

### INDIVIDUAL LOCATION EBITDA COULD BE LOWER THAN EXPECTED:

- Feasibility studies by an expert consultant were conducted on the first two locations, supporting **return expectations**.
- A diversified portfolio of locations, spread across various localities, **reduces the potential of idiosyncratic risks**.
- Management believes there are **numerous ways to increase site profitability**, while economies of scale will also lower costs.



## COMPETITION

### EXISTING COMPETITORS MAY IMPROVE OPERATIONS, WHILE TOWNS MAY PERMIT NEW CAR WASHES

- Spark acquires **the best located sites** in each of its markets, creating a durable competitive advantage.
- New car wash approvals will remain a lengthy process, while **first mover advantage** is significant for monthly memberships.
- Well-run Spark operations should **motivate competitors to avoid** our direct markets.



## RETAIL MARKET SHIFTS

### MAJOR RETAIL DISRUPTION COULD IMPACT THE CONVENIENCE OF CAR WASH LOCATIONS

- All Spark locations are located on busy roads that **do not rely on retail to drive traffic**.
- Car **washing will remain sought out as a necessary service** and enjoyable customer experience irrespective of broader retail trends.



## ECONOMIC RECESSION

### RECESSION RISKS COULD IMPACT PROFITABILITY OR EXIT VALUE

- Car washes are **fairly recession resistant**. The industry reported a 5% negative revenue impact from the '08-'09 Recession.
- The high cash flow nature of the business should **allow for significant cash accumulation** while waiting for an appropriate exit.

# Car Washes are best positioned to rebound from COVID19, while acquisition options likely expand

■ COVID-19 has negatively impacted express exterior car washes primarily through blanket stay-at-home orders reducing site traffic

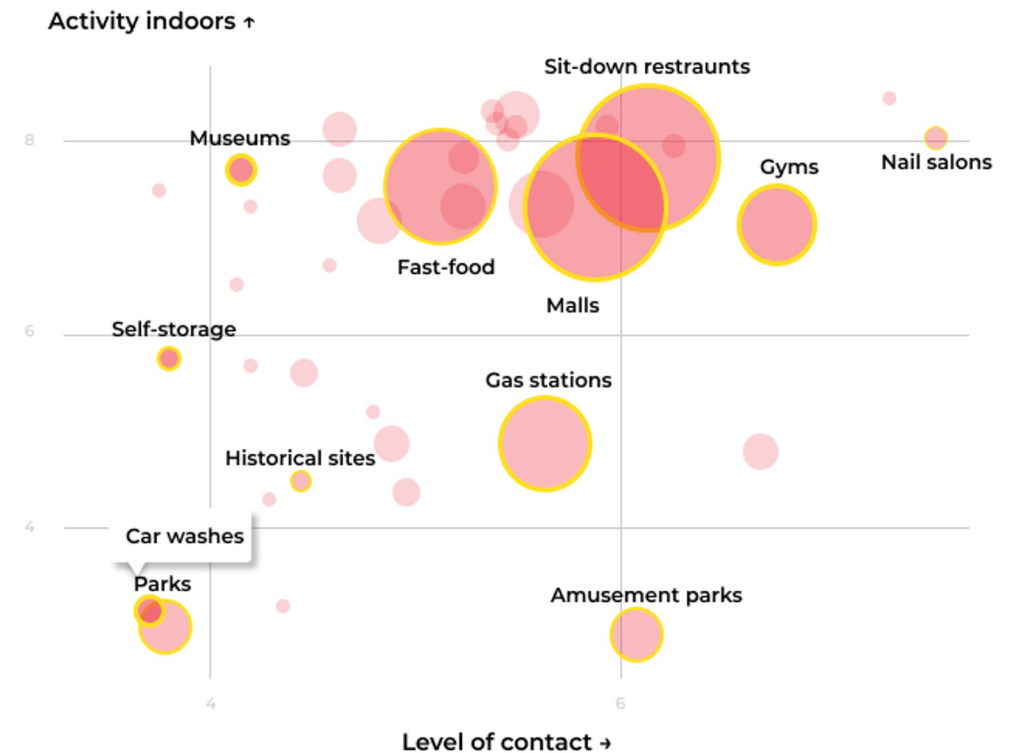
- Express Exterior car washes have been permitted to remain open in New Jersey, anecdotal reports across the Northeast indicated a **volume decrease of 50-75% while stay-at-home orders were in place**

■ The Company believes the impact on performance will be limited as society reopens, with news reports directly noting car washes as safe

- Management believes a greater **awareness of disinfecting** surfaces and **general cleanliness will be a lasting effect** of COVID-19, ultimately benefitting car washes
- The Express Exterior model allows for the **full use of services even with social distancing guidelines**
- Early anecdotal reports indicate **a volume range of 80% to over 100%** compared to pre-COVID-19 levels in re-opened regions
- In a May 6<sup>th</sup> article, the NY Times indicated that car washes are the activity with the **lowest level of contact** across a broad range of common activities (see chart)
- Inventive operators will likely be able to **add services that help customers disinfect** their vehicles further and fill other cleaning gaps that are likely to arise

■ Spark management expects increased acquisition options due to Full Serve models coming under pressure and a smaller buyer pool

## NY Times COVID-19 Business Risk Analysis





## Contact Information:



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