

# NCS New Investors

# *Working Session*

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**Discuss an investment into the retail car wash industry and to develop next steps to engage the opportunity**

**Quick presentation followed by open dialogue**

**Calendar next steps & action owners**

# Predictive Questions

- Sounds great but we don't know anything about retail car washing?
- What type investor is the integrum investment opportunity targeting?
- Is car wash a seasonal business and how big are the swings? What can be done to smooth out the bumps?
- As a car wash consumer, we are familiar with coupon books. Do you recommend selling them?
- What are your thoughts on the % allocation of customers by price point (inclusive of the comments above re: membership and coupon books).
- Can you walk us through the site-specific factors and demographics and how these variables impact the pro forma model?
- Is there any type of ramp up in customers/capture rate post opening?
- What is the normal credit card usage rate?
- What is the projected utilities rates for the various utilities?
- What are the administrative expenses for executives that manage the network of operations. time frame to hire, time requirements & key skills for the executive leadership (operational vs. financial vs. marketing, etc)
- What type of maintenance and on site services will be included in the after support plan?
- It would be helpful to walk through each operating expense line item so we understand how they may vary by location
- We'd like to walk through the hard costs breakout for the facility and related equipment.
- How many sites can be commissioned each year to understand the time required to get to 10-15
- Financing options and LTV?
- Given our plan is to partner with NCS on this project for the long term and our planned commitment to building out a network of locations (not less than 10) over a 3-5 year period, we'd like to understand the pricing construct for both the equipment, supplies and service (i.e. what level of discount can we expect to receive and how would that pricing level compare to market rates)

## OVERVIEW

*Highly Fragmented with High Margins & Relatively Unsophisticated*

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- \$24 billion, approximately 50,000 retail car washes operating in NA ~ 15,000 retail tunnel car washes
- Highly fragmented, with the 50 largest retail tunnel chains holding just 15% of the market.
- Average number of stores per company  $\leq 2$  with tendency not to expand
- 100s of individual new market entrants each year
- Typical EBITDA exceeds 40%
- Typical NOI exceeds 30%
- Roll Up is underway
  - Retail - Private Equity *Leonard Green - Mister Carwash & Roark Capital - International Car Wash Group ICWG*
  - Distributor Channel – Private Equity *AEA Investors National Carwash Solutions, Sentinel Capital Sonnys*
  - Manufacturers – Private Equity *AEA Investors - National Carwash Solutions (Ryko, Clean Touch, MacNeil, Clean Wash), New Mountain Capital – ZEP, New Wave Innovations & DRB Systems, Sentinel Capital Partners – Sonnys Enterprises*

## NATIONAL CARWASH SOLUTIONS- THE INDUSTRY LEADER

*NCS is the leading total solutions provider in the flourishing North American car wash industry. NCS is sponsored by AEA Investors. NCS will provide end-to-end services to make your retail car wash investment easy to understand and manage.*

**#1 IN SERVICE**



**#1 IN SYSTEMS**



**#4 IN CLEANING FLUIDS**



**NCS IS THE ONLY COMPANY THAT OFFERS A SOLUTION FOR EVERY SEGMENT OF THE INDUSTRY**

# PROJECT TIME LINE

*NCS offers the Express Exterior tunnel car wash solution for New Investors*

- Eight step process from inception to operational carwash*
- Time duration between twelve to eighteen months*

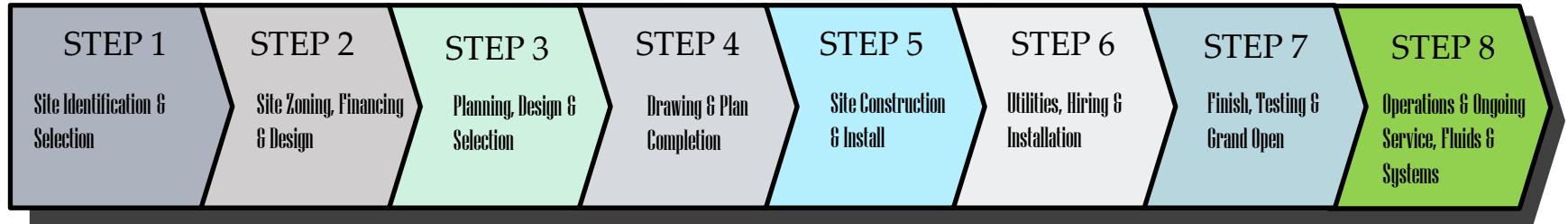
PLAN



BUILD



WASH



TIME DURATION 12 TO 18 MONTHS

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## FORMAT FAMILIARIZATION

*Express Exterior*

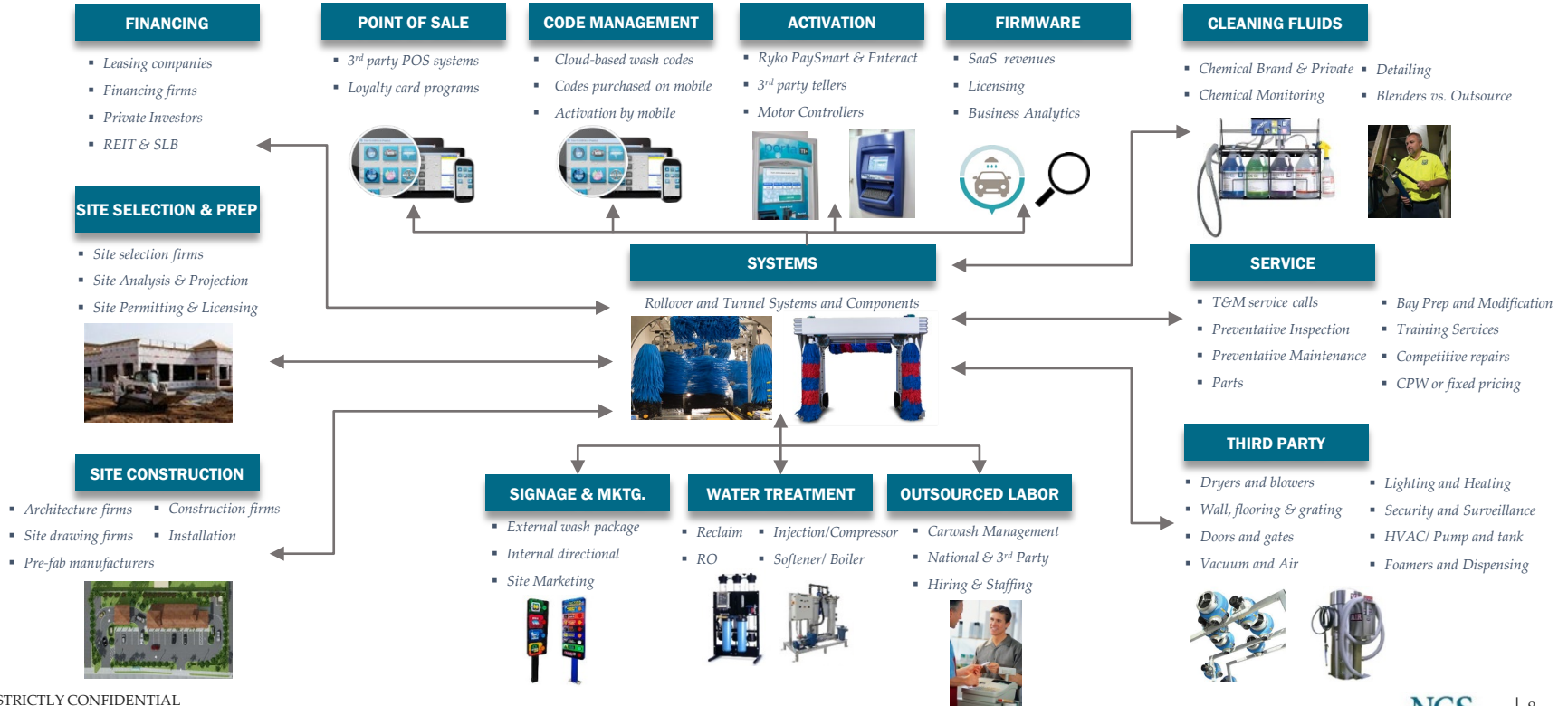
### You Tube Links:

Epic Shine Express Car Wash Idaho:

<https://www.youtube.com/watch?v=ilzSbAYRPQY>

# NCS CAN DELIVER THE COMPLETE CAR WASH

*NCS brings together all aspects of the carwash value chain for investors*





## REQUIRED DEVELOPMENT INVESTMENT – HIGH LEVEL

*Land is the major variable by trade area – Example 120' car wash for 120 car per hour capability*

CAR WASH ACQUISITION BUDGET					
INVESTMENT ITEM	TOTAL INVESTMENT	% OWNER INVESTMENT	% BANK DEBT COVERAGE	OWNER INVESTMENT	BANK DEBT TOTAL
LAND	\$ 600,000.00	20.00%	80.00%	\$ 120,000.00	\$ 480,000.00
BUILDING	\$ 1,100,000.00	20.00%	80.00%	\$ 220,000.00	\$ 880,000.00
SITE WORK	\$ 300,000.00	20.00%	80.00%	\$ 60,000.00	\$ 240,000.00
SOFT COST	\$ 300,000.00	20.00%	80.00%	\$ 60,000.00	\$ 240,000.00
EQUIPMENT	\$ 1,250,000.00	20.00%	80.00%	\$ 250,000.00	\$ 1,000,000.00
PROJECT COST	\$ 3,550,000.00	20.00%	80.00%	\$ 710,000.00	\$ 2,840,000.00

\*Equipment Solution will receive an Integrum Investor Discount of 15% to 25%

# EXAMPLE CASH FLOW PROJECTIONS

Year 1 and Year 5

## CASH FLOW PROJECTIONS

ANNUAL WASH VOLUME			YEAR 1	PERCENTAGE OF
			91,215	REVENUE
<b>REVENUE</b>				
ON-LINE SERVICE DESCRIPTION	PRICE PER UNIT	PERCENTAGE OF CUSTOMERS		
EXTERIOR CAR WASH	\$ 8.00	47%	\$ 342,970.02	33.94%
MENU PACKAGE #1	\$ 11.00	21%	\$ 210,707.65	20.85%
MENU PACKAGE #2	\$ 15.00	19%	\$ 259,963.98	25.73%
MENU PACKAGE #3	\$ 18.00	13%	\$ 213,444.11	21.12%
TOTAL REVENUE			\$ 1,027,085.76	101.65%
BANK & CREDIT CARD FEES	2.50%	65%	\$ (16,690.14)	-1.65%
TOTAL REVENUE			\$ 1,010,395.62	100.00%
<b>OPERATIONAL EXPENSE</b>				
LINE LABOR & ASSISTANTS			\$ 65,592.80	6.49%
CHEMICAL & SUPPLIES			\$ 47,158.38	4.67%
UTILITIES			\$ 80,831.65	8.00%
ADV. & PROMOTION			\$ 15,155.93	1.50%
CUSTOMER CLAIMS			\$ 7,577.97	0.75%
LEGAL & PROFESSIONAL FEES			\$ 10,103.96	1.00%
LICENSE & TAXES			\$ 10,103.96	1.00%
MANAGER & ASSISTANT MANAGERS			\$ 142,324.00	14.09%
NORTHERN CLIMATE OVERHEAD			\$ 10,103.96	1.00%
REFUSE COLLECTION			\$ 6,062.37	0.60%
MISCELLANEOUS			\$ 17,681.92	1.75%
REAL ESTATE TAX			\$ 55,571.76	5.50%
INSURANCE			\$ 22,228.70	2.20%
REPAIRS & MAINTENANCE			\$ 42,941.81	4.25%
TOTAL OPERATIONAL EXPENSE			\$ 533,439.17	52.80%
NET OPERATIONAL CASH FLOW			\$ 476,956.45	47.20%
<b>FIXED FACILITY EXPENSE</b>				
TOTAL DEBT PAYMENTS			\$ 287,586.41	28.46%
TOTAL LEASE PAYMENTS			\$ -	0.00%
TOTAL FIXED FACILITY EXPENSE			\$ 287,586.41	28.46%
NET CASH FLOW FOR YEAR			\$ 189,370.04	18.74%

## CASH FLOW PROJECTIONS

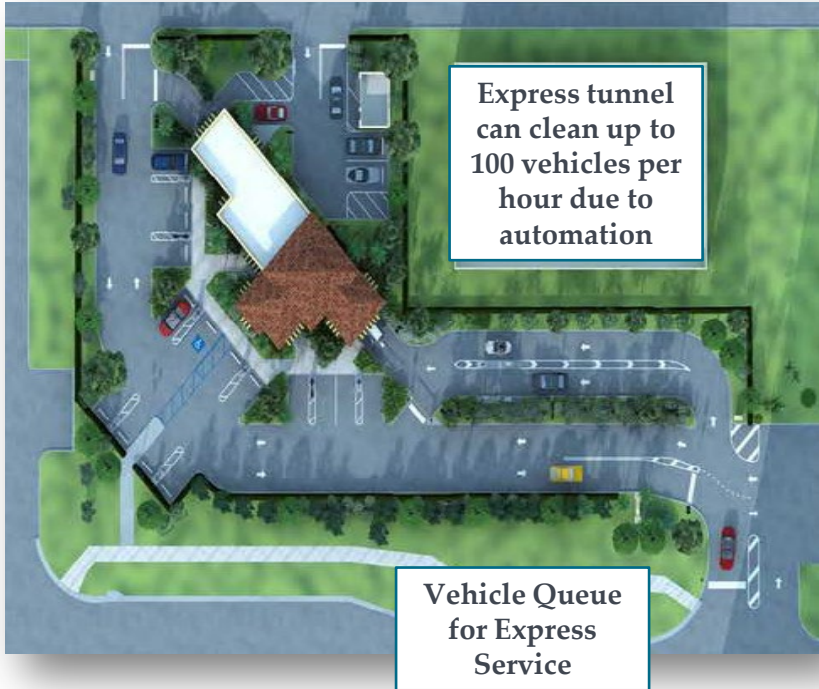
ANNUAL WASH VOLUME			YEAR 5	PERCENTAGE OF
			137,149	REVENUE
<b>REVENUE</b>				
ON-LINE SERVICE DESCRIPTION	PRICE PER UNIT	PERCENTAGE OF CUSTOMERS		
EXTERIOR CAR WASH	\$ 8.00	47%	\$ 515,679.93	34.03%
MENU PACKAGE #1	\$ 11.00	21%	\$ 316,814.00	20.91%
MENU PACKAGE #2	\$ 15.00	19%	\$ 390,874.41	25.79%
MENU PACKAGE #3	\$ 18.00	13%	\$ 320,928.47	21.18%
TOTAL REVENUE			\$ 1,544,296.81	101.91%
BANK & CREDIT CARD FEES	2.50%	75%	\$ (28,955.57)	-1.91%
TOTAL REVENUE			\$ 1,515,341.24	100.00%
<b>OPERATIONAL EXPENSE</b>				
LINE LABOR & ASSISTANTS			\$ 79,728.46	5.26%
CHEMICAL & SUPPLIES			\$ 76,750.92	5.06%
UTILITIES			\$ 121,227.30	8.00%
ADV. & PROMOTION			\$ 22,730.12	1.50%
CUSTOMER CLAIMS			\$ 11,365.06	0.75%
LEGAL & PROFESSIONAL FEES			\$ 15,153.41	1.00%
LICENSE & TAXES			\$ 15,153.41	1.00%
MANAGER & ASSISTANT MANAGERS			\$ 172,995.71	11.42%
NORTHERN CLIMATE OVERHEAD			\$ 15,153.41	1.00%
REFUSE COLLECTION			\$ 9,092.05	0.60%
MISCELLANEOUS			\$ 26,518.47	1.75%
REAL ESTATE TAX			\$ 83,343.77	5.50%
INSURANCE			\$ 33,337.51	2.20%
REPAIRS & MAINTENANCE			\$ 64,402.00	4.25%
TOTAL OPERATIONAL EXPENSE			\$ 746,951.61	49.29%
NET OPERATIONAL CASH FLOW			\$ 768,389.64	50.71%
<b>FIXED FACILITY EXPENSE</b>				
TOTAL DEBT PAYMENTS			\$ 287,586.41	18.98%
TOTAL LEASE PAYMENTS			\$ -	0.00%
TOTAL FIXED FACILITY EXPENSE			\$ 287,586.41	18.98%
NET CASH FLOW FOR YEAR			\$ 480,803.23	31.73%



# Appendix

# NCS EXPRESS CARWASH- ARCHITECTURAL SCHEMATIC EXAMPLES

Characteristics of a typical Express Carwash 1) Traffic count of 30,000 or better 2) Three mile population of at least 30,000 3) 500' of visibility both directions 4) Density of housing in fairly close proximity 5) 0.75 acre minimum to 1.25 acre ideal 6) Rectangular lots generally best. Narrow side toward street to keep cost down



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## OVERVIEW CAR WASH INDUSTRY – FOCUSED ON EXPRESS BUSINESS FORMAT

The car wash business has been one of the fastest growing and most financially rewarding industries for entrepreneurs in the United States over the last two decades. Typical net operating income results exceed 30%. With more and more vehicles on the road every year and a greater demand for clean cars, the car wash industry's best days are still yet to come. Currently the annual revenue of the car wash industry exceeds \$24 billion, with approximately 100,000 professional car washes operating nation wide. The car wash industry is highly fragmented, with the 50 largest chains holding just 15% of the overall market. Most car wash owners run just 1 or 2 locations, and once they become established they tend not to expand at all. This fact makes it easier for individual entrepreneurs new to car washing to break into the industry.

Professional car washing facilities today feature modern, fully-automated, highly efficient and reliable washing equipment systems able to clean vehicles in a rapid, safe and more effective means than ever before. Utilizing environmentally friendly cleaning fluids, efficient water reclaim systems and energy efficient equipment systems, professional car washes are also the most environmentally sound way to clean any vehicle. All current full-sized car washes utilize an automatic conveyor system mounted under the floor that pulls vehicles through the cleaning process. The line speed is adjustable up to a point before quality degradation occurs.

The maximum line speed is a function of the conveyor length and how

many cleaning components will fit over the available conveyor. Longer conveyors run at higher line speeds. A good rule of thumb is 1 car/hour of production for every 1 foot of conveyor. The number of wash equipment pieces and its sequential arrangement is a function of the owner's merchandising, customer experience, and throughput objectives juxtaposed with the constraints from physical space and budget.

All of this equipment located in the wash tunnel, an elongated rectangular space with an entrance and exit door at each end. Adjoining the tunnel is a large support equipment room, "back room", which contains pumps, control electronics, motor control devices and dispensing systems amongst other required support systems. There are two types of car wash business formats that new most investors choose to develop; Flex Service and Express Exterior. Of the two, Express is chosen 9 times out of 10. Flex service is the same format as Express Exterior except with the addition of an interior cleaning service which is executed at the exit end of the car wash using space specifically designated for this purpose. Interior cleaning adds a level of complexity that most investors avoid. This presentation will focus on the Express Exterior business format.

The Express Exterior business format is the hottest trend in the industry for the past 5-7 years. It is the simplest to build, manage and take to scale due to its high level of automation

This format is typically an 80-150 foot long conveyor under a very

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## OVERVIEW CAR WASH INDUSTRY – FOCUSED ON EXPRESS BUSINESS FORMAT

robust wash equipment system that fully automates high volume, high quality clean-shiny-dry production including delivering up sell services on line. Site design places a premium on intuitive flow for high volumes of customers, ease of navigation, very simple service menus, and ease of egress. Free to use professional vacuums throws it over the top. The goal is to provide a high quality, very convenient, positive customer service experience without the need for a customer interaction. Typically there are 3-5 wash packages made up of a mix of the following: pre-soak, 3-color foam, wheel cleaning, tire shining, high pressure rinse, rain shield, hot wax, and dryer. Customers self-pay at an payment kiosk terminal, drive their own car onto the conveyor guided by an employee, stay is the car while it is being washed, and drive out of the car wash tunnel at the end of the process.

A key feature of the offering is the self-serve free vacuums for customers to clean the interior of the car if they chose. Free vacuums are extremely popular with everyone, rich and poor, and account for driving site volume by as much as 25% according to certain experts. After the wash, the customer either leaves the site or turns into the vacuum area to clean the inside of their car.

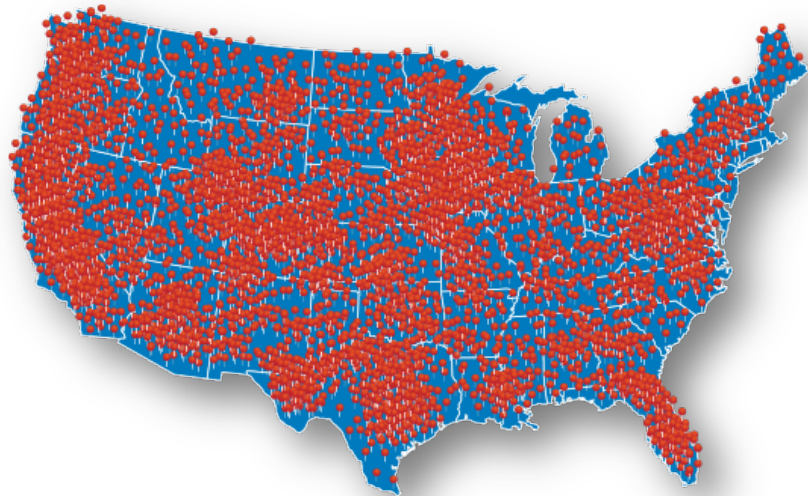
There are three key pieces of technology which form the platform to go to scale. First, and most importantly, the computerized Point of Sale (POS) payment terminal and traffic control gates underpinned with car wash club membership software (think gym membership) and business analytics and cash reconciliation tracking.

The payment terminal accepts multiple forms of payment, can be programmed to up sell and cross sell, communicates the services chosen to the car wash controller, sequences the gate for first transaction complete, fist customer served and manages the queue so everyone gets the wash services for which they paid. The advantages of having an automatic electronic pay gate system is that there are no employees involved with their hands in the tiller to worry about, and the system can operate unattended 24 hours a day. The payment terminals eliminate 4-6 employee positions versus a human service writer model. Problems with them are some people are intimidated or confused by the machines, especial older ones, and they are slower to use until customers get accustomed to them. Prudent owners plan to have employees greet customers for the first 3 months until customers know their way around the site and process. The second piece is the fully automated wash and dry package. Custom configured, but always containing key elements, the integrated system operates seamlessly from start to finish. No human hands are required to clean the car if the customer has the budget to design the system fully automated

Wash system automation eliminates 4-8 employees relative to a traditional exterior or full service wash format. The third piece are the control electronics in the back room which are the brains of the car wash, tying all of the POS, wash systems, and support systems into a unified whole. The service deliverable end product is completely dependent on automatic processes and systems.

# LARGEST SERVICE NETWORK IN NORTH AMERICA

*NCS has the most comprehensive service offerings and the only nationwide network*

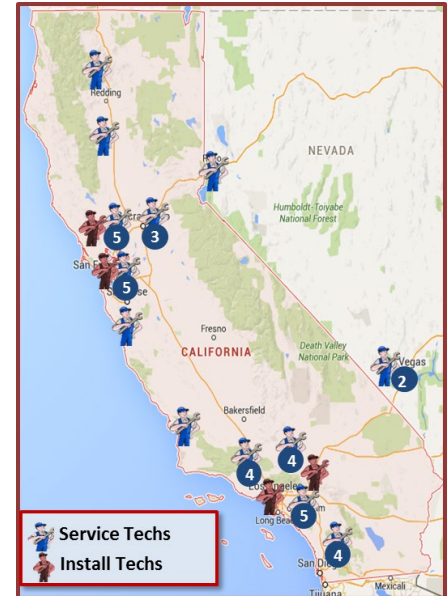


Consistency and speed of the regimented dispatch system provide substantial advantages over limited service capabilities offered by local distributors

## CleanTouch Technicians

- 33 in California
  - Average 10+ years tenure
- 3 Service Managers
  - Average 20+ year tenure
- 4 dedicated installation teams
  - Average 15+ year tenure
- 4 Dedicated chemical delivery trucks
- Over \$500K in van & warehouse inventory

## REGIONAL DENSITY CREATES VALUE



# NCS IS THE NATION'S FOURTH LARGEST CLEANING FLUIDS PROVIDER

*Dedicated in-house facility at NCS headquarters provides high-margin, proprietary cleaning fluids*

## CLEANING FLUIDS OVERVIEW

- NCS blends its own branded cleaning solutions in its own facility, and delivers small containers as well as bulk solutions to customers
- NCS supplies cleaning fluids to more than 2,800 car wash locations annually washing over 100,000 vehicles daily.
- Offerings include detergents, pre-soaks, waxes and protectants and specialty products
- All NCS cleaning fluids are non-corrosive, readily biodegradable, non-flammable and non-combustible



STRICTLY CONFIDENTIAL

## BRANDING STRATEGY

### CLEAN TOUCH

- Channel: direct sales
- Delivery:
  - Bulk delivery administered by NCS
  - Self-serve using trademarked CleanFill system



CleanFill

### CLEANWASH

- Channel: sheltered for distributors
- Delivery:
  - Bulk delivery administered by distributors
  - Self-serve using trademarked CleanFill system



CLEANWASH  
CAR WASH FORMULAS

