




Mister
CAR WASH[®]

2022 ANNUAL REPORT



436

LOCATIONS ACROSS 21 STATES AS OF DECEMBER 31, 2022.

85+ Million

CARS WASHED DURING TWELVE MONTHS ENDED DECEMBER 31, 2022.

1.9 Million

UNLIMITED WASH CLUB MEMBERS AS OF DECEMBER 31, 2022.

\$877 Million

NET REVENUE IN 12 MONTHS ENDED DECEMBER 31, 2022.

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

(Mark One)

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2022

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the Transition Period From ___ to ___

Commission File Number 001-40542

Mister Car Wash, Inc.

(Exact name of Registrant as specified in its Charter)

Delaware

(State or other jurisdiction of incorporation or organization)

222 E. 5th Street

Tucson, Arizona

(Address of principal executive offices)

47-1393909

(I.R.S. Employer Identification No.)

85705

(Zip Code)

Registrant's telephone number, including area code: (520) 615-4000

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common stock, par value \$0.01 per share	MCW	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the Registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark if the Registrant is not required to file reports pursuant to Section 13 or 15(d) of the Act. Yes No

Indicate by check mark whether the Registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the Registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the Registrant was required to submit such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer Accelerated filer

Non-accelerated filer Smaller reporting company

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report.

If securities are registered pursuant to Section 12(b) of the Act, indicate by check mark whether the financial statements of the registrant included in the filing reflect the correction of an error to previously issued financial statements.

Indicate by check mark whether the Registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report.

Indicate by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

The aggregate market value of the voting and non-voting common equity held by non-affiliates of the Registrant, based on the closing price of the shares of common stock on The New York Stock Exchange on June 30, 2022, was \$880,866,919.

The number of shares of Registrant's common stock outstanding as of February 15, 2023 was 307,295,806.

Documents Incorporated by Reference:

Portions of our Proxy Statement for the 2023 Annual Meeting of Stockholders to be filed with the Securities and Exchange Commission within 120 days of our fiscal year ended December 31, 2022 are incorporated by reference into Part III of this report.

Auditor Firm Id: 34 Auditor Name: Deloitte & Touche LLP Auditor Location: Tempe, AZ, USA

MISTER CAR WASH, INC.
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Forward-Looking Statements and Risk Factor Summary

This Annual Report on Form 10-K contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. We intend such forward-looking statements to be covered by the safe harbor provisions for forward-looking statements contained in Section 27A of the Securities Act of 1933, as amended (the “Securities Act”) and Section 21E of the Securities Exchange Act of 1934, as amended (the “Exchange Act”). All statements other than statements of present and historical facts contained in this Annual Report on Form 10-K, including without limitation, statements regarding our future results of operations and financial position, business strategy and approach are forward-looking. You can generally identify forward-looking statements by our use of forward-looking terminology such as “anticipate,” “believe,” “continue,” “could,” “estimate,” “expect,” “intend,” “may,” “might,” “plan,” “potential,” “predict,” “seek,” “vision,” or “should,” or the negative thereof or other variations thereon or comparable terminology.

Forward-looking statements are based on our management’s beliefs and assumptions and on information currently available to us. Such beliefs and assumptions may or may not prove to be correct. Additionally, such forward-looking statements are subject to a number of known and unknown risks, uncertainties and assumptions, and actual results may differ materially from those expressed or implied in the forward-looking statements due to various factors, including, but not limited to, those identified in Part I. Item 1A. “Risk Factors” and in Part II. Item 7. “Management’s Discussion and Analysis of Financial Condition and Results of Operations.” These risks and uncertainties include, but are not limited to:

- An overall decline in the health of the economy and other factors impacting consumer spending, such as natural disasters, the occurrence of a recession, growing inflation and worsening in economic conditions may affect consumer purchases, reduce demand for our services and materially and adversely affect our business, results of operations and financial condition.
- We may be unable to attract new customers, retain existing customers and maintain or grow the number of Unlimited Wash Club (“UWC”) members, which could adversely affect our business, financial condition and results of operations and rate of growth.
- If we fail to acquire, open and operate new locations in a timely and cost-effective manner and enter into new markets our financial performance could be materially and adversely affected.
- We may not be able to successfully implement our growth strategies on a timely basis or at all.
- We are subject to a number of risks and regulations related to credit card and debit card payments we accept.
- Supply chain disruption and other increased operating costs could materially and adversely affect our results of operations.
- Our locations may experience difficulty hiring and retaining key or sufficient qualified personnel or increases in labor costs.
- We lease or sublease the land and buildings where a number of our locations are situated, which could expose us to possible liabilities and losses.
- Our indebtedness could adversely affect our financial health and competitive position.
- Our business is subject to various laws and regulations and changes in such laws and regulations, or failure to comply with existing or future laws and regulations, could adversely affect our business.
- Our locations are subject to certain environmental laws and regulations.
- We are subject to data security and privacy risks that could negatively impact our results of operations or reputation.
- We may be unable to adequately protect, and we may incur significant costs in enforcing or defending, our intellectual property and other proprietary rights.
- Our stock price may be volatile or may decline regardless of our operating performance, resulting in substantial losses for investors purchasing shares of our common stock.

You are cautioned not to place undue reliance on these forward-looking statements as guarantees of future performance. Although we believe that the expectations reflected in the forward-looking statements are reasonable, our actual results of operations, financial condition and liquidity, and the development of the industry in which we operate, may differ materially from the forward-looking statements included in this Annual Report on Form 10-K.

Any forward-looking statement that we make in this Annual Report on Form 10-K speaks only as of the date of such statement. Except as required by law, we do not undertake any obligation to update or revise, or to publicly announce any update or revision to, any of the forward-looking statements, whether as a result of new information, future events or otherwise, after the date of this Annual Report on Form 10-K.

As used in this Annual Report on Form 10-K, unless otherwise stated or the context requires otherwise, references to “Mister Car Wash,” “Mister,” the “Company,” “we,” “us,” and “our,” refer to Mister Car Wash, Inc. and its subsidiaries on a consolidated basis.

Market and Industry Data

This Annual Report on Form 10-K includes estimates regarding market and industry data that we prepared based on management's knowledge and experience in the markets in which we operate, together with information obtained from various sources, including publicly available information, industry reports and publications, surveys, our customers, distributors, suppliers, trade and business organizations and other contacts in the markets in which we operate. Management estimates are derived from publicly available information released by independent industry analysts and third-party sources, as well as data from our internal research, and are based on assumptions made by management upon reviewing such data and our knowledge of such industry and markets which we believe to be reasonable. In presenting this information, we have made certain assumptions that we believe to be reasonable based on such data and other similar sources and on our knowledge of, and our experience to date in, the markets for the services we offer. Market share data is subject to change and may be limited by the availability of raw data, the voluntary nature of the data gathering process and other limitations inherent in any statistical survey of market shares. In addition, customer preferences are subject to change. Accordingly, you are cautioned not to place undue reliance on such market share data. References herein to the markets in which we conduct our business refer to the geographic metropolitan areas in which we operate our locations.

PART I

Item 1. Business

Who We Are

Mister Car Wash, Inc. is the largest national car wash brand offering express exterior and interior cleaning services to customers across 436 car wash locations in 21 states, as of December 31, 2022. Founded in 1996, we employ an efficient, repeatable and scalable process, which we call the “Mister Experience,” to deliver a clean, dry and shiny car every time. The core pillars of the “Mister Experience” are providing the highest quality car wash and ensuring the experience is quick and convenient. We offer a monthly subscription program, Unlimited Wash Club® (“UWC”), as a flexible, quick and convenient option for customers to keep their cars clean.

Our purpose is simple: Inspire People to Shine®. This starts with our people. We attract and retain a pool of talent by investing in their training and development through our specialized programs and our MisterLearn training platform that allows us to develop and promote entry-level team members to leadership roles. As a result, our team members are highly engaged and deliver memorable experiences to our customers. We have proven our people-first approach is scalable and has enabled us to develop a world class team, comprised of both internally developed talent and external hires from top service organizations. We believe our purpose-driven culture is critical to our success.

We believe Mister Car Wash offers an affordable, feel-good experience, enjoyed by all who value a clean, dry and shiny car. As we grow and to serve the approximately 276 million registered vehicles in the United States as of the end of 2022, we are dedicated to putting our team members first and delivering a consistent, convenient and high-quality car wash experience at scale.

Products and Services

Our car wash locations consist of two formats: (a) Express Exterior Locations (360 locations as of December 31, 2022) and (b) Interior Cleaning Locations (76 locations as of December 31, 2022). All locations offer express exterior wash packages and have exterior-only lanes. Every wash includes our T3 Cleaning Conditioner, Wheel Cleaner, and Dynamic Dry system.

Express Exterior Locations

Express Exterior Locations offer self-drive exterior cleaning services and include free vacuums available for customer use. Customers purchase a wash or sign-up for a UWC membership through sales kiosks or assisted by team members and remain in their vehicle through the tunnel and wash process. Customers have the option to use free self-serve vacuums at any time before or after their exterior wash.

Interior Cleaning Locations

Interior Cleaning Locations offer exterior and interior cleaning services, including vacuuming by our team members. Customers purchase a wash or sign-up for a UWC membership through sales kiosks or assisted by team members and either remain in their vehicle through the tunnel and wash process or wait in the lobby. Customers who purchase interior cleaning services have their vehicles vacuumed and cleaned by Mister team members.

Our Customers

We serve a diverse mix of customers, which include individual retail customers and UWC Members, which include both retail and corporate customers. Given the broad appeal of our services, we have a wide variety of customers spanning a broad set of demographics. The portfolio of cars serviced across our locations is diverse and represents a balance across new and old cars and across all vehicle price points. Our customer service, convenient locations and easy-to-manage membership programs have helped position our locations as the “go-to” destinations for our customers’ car wash needs.

Markets

We are the largest national car wash brand and have developed extensive resources and capabilities over our 25-year history. Our scale, consistency of operations at every location and culture of continuous improvement have allowed us to develop an efficient and high-quality customer experience with every wash.

We believe our key differentiators include our unified national brand, robust training & development programs which generate a talent pipeline, dedicated regional support infrastructure, sophisticated technology and proprietary product formulation, and strategic market density "network effect".

Key Growth Drivers

Grow Our UWC Members to Drive Predictable Earnings Growth and Higher Annual Customer Spend

We believe there is an opportunity to grow UWC penetration further in core, acquired and greenfield locations. In 2022, we increased overall UWC penetration from 64% to 68% of total wash sales. We estimate that the average UWC Member spends more than four times the retail car wash consumer, providing us an opportunity to increase our sales as penetration increases. At both new greenfield and acquired locations, we have developed proven processes for growing UWC membership per location.

Build Upon Our Established Success in Opening Greenfield Locations

During 2022, we successfully opened 28 greenfield locations and expect to lead our future location growth through greenfield locations. We have developed a process for opening new greenfield locations, from site selection to post-opening local marketing initiatives, which has driven our greenfield performance consistently over time. We plan to continue to invest in this part of our growth strategy and have a development pipeline for future locations in existing and adjacent markets nationwide.

Pursue Opportunistic Acquisitions in Highly Fragmented Industry

We will continue to employ a disciplined approach to acquisitions, carefully selecting locations that meet our criteria for a potential Mister Car Wash site. We have a track record of location growth through acquisitions and have a process for integrating acquired locations, which includes a variety of upgrades to each location that has led to the successful integration of over 100 acquisitions during our history.

Drive Scale Efficiencies and Robust Free Cash Flow Generation

We will continue to utilize our scale to drive operating leverage as our business grows. As we open and acquire new locations and maximize throughput at our existing locations through our ongoing focus on operational excellence, we believe we will have an opportunity to generate meaningful efficiencies of scale.

Marketing

We lead with a unified national brand across our entire footprint. To acquire, convert and retain our customers at a local level, we use a mix of traditional and digital marketing tactics and channels to emphasize our convenient, easy, and high-quality wash experience.

Competitive Conditions

The car wash industry is fragmented, and we compete with a variety of operators. Competitors include national, regional and local independent car wash operators, and other retailers (including gasoline and convenience retailers), each of which offer car washes. We believe our scale allows us to compete effectively due to our convenience, quality, price, and service.

Resources

Our Proprietary Products and Advanced Technology

Our research and development team is responsible for car wash processes, equipment and technology improvements. The team tests new products, formulations, processes and ideas in select markets before rolling out improvement and changes across the broader platform. Through continuous research and development, Mister Car Wash has formulated a balanced wash process that factors in conveyor length, line speed, water quality, mechanical equipment, ambient temperature and soil conditions.

Suppliers and Distribution

We maintain long-term relationships with our key vendors. We believe our scale and large purchase quantities provide us leverage in securing competitive pricing. Our key purchases include car wash equipment and parts and wash chemicals.

While we maintain a limited stock of parts and supplies for repairs and maintenance, most equipment, chemicals, and other supplies are purchased on an as-needed basis, which generally are shipped directly from the vendors to our locations. We have deep industry knowledge and maintain relationships with previous and prospective vendors to quickly address issues that may arise with our current supply chain.

In 2018, we entered into an agreement with a supplier of a comprehensive suite of hardware, software, and management systems for our car wash locations which better track our membership and customer loyalty programs, streamline our operations and enhance our ability to track costs.

Intellectual Property and Trademarks

We own intellectual property, including patents, patent applications, technology, trade secrets, know-how and trademarks in the United States and internationally. As of December 31, 2022, we had approximately 47 trademark registrations and applications, including registrations for “Mister Car Wash,” “Hotshine,” “Mister Hotshine” and “Unlimited Wash Club,” and held one U.S. patent, one foreign patent and one pending U.S. patent application. Our issued patents are expected to expire between 2023 and 2025. We have also registered the Internet domain name: “mistercarwash.com”.

We believe that our trademarks and other proprietary rights are important to our success and our competitive position, and, therefore, we devote resources to the protection of our trademarks and proprietary rights. However, we believe that no single patent, trademark or intellectual property asset is material in relation to our business as a whole.

Seasonality

As a result of our presence in certain markets that are subject to seasonal weather patterns, some of our business is seasonal. However, our 21-state geographic diversity typically limits the weather impacts of a specific region on overall performance. Additionally, we do experience a large majority of sales of UWC memberships during the first six months of the year.

Human Capital

We are centered around our purpose of Inspiring People to Shine, and that starts with our team members. To recruit and retain the most qualified team members in the industry, we focus on treating our team members well by paying them competitive wages, offering them attractive benefit packages, offering robust training and development opportunities, and providing an operational support infrastructure with opportunities for upward mobility. We believe satisfied employees are more productive, are more likely to have a positive impact on other employees around them and are more likely to deliver great customer service.

Team Members

Throughout 2022, we focused our efforts on refining our staffing model to ensure our wash locations run as efficiently as possible. This will allow us to continue our focus on competitive wages and benefits as well as investing in the training and development of our team members. We invest in the training and development of our team members through our specialized programs and our MisterLearn training platform that allows us to develop and promote entry-level team members to leadership roles. As a result, our team members are highly engaged and deliver memorable experiences to our customers. Through these efforts, we expect to build strength in our bench of future leaders while increasing retention and diversity.

As of December 31, 2022, we employed approximately 6,350 team members, which is a 6% reduction from the prior year, even while adding 40 locations throughout the year. This reduction was achieved primarily through natural attrition combined with more precise staffing guidelines for our wash locations and converting eight of our interior clean locations to express locations.

Environmental Matters & Other Governmental Regulation

We are subject to various laws and regulations, including those governing labor and employment including minimum wages and paid sick time, workplace safety, employee and public health including COVID-19, consumer protection, recurring debit and credit card charges, information security, consumer protection, data privacy, marketing and advertising, environmental protection and compliance, including recycling, waste and water usage, zoning and land use, taxation and public company compliance. We monitor changes in these laws and believe that we are in material compliance with applicable laws.

We are subject to various federal, state and local environmental laws and regulations, including those relating to ownership and operation of underground storage tanks; the release or discharge of regulated materials into the air, water and soil; the generation, storage, handling, use, transportation and disposal of regulated materials, including wastes; the exposure of persons to hazardous materials; remediation of contaminated soil and groundwater; and the health and safety of employees dedicated to such transportation and storage activities.

Environmental laws and regulations can restrict or impact our business activities in many ways, such as:

- requiring the acquisition of certifications, registrations, permits or other authorizations or the provision of financial assurances in connection with the transportation, storage and sale of hazardous substances and other regulated activities;
- requiring remedial action to mitigate releases of petroleum hydrocarbons, hazardous substances or wastes caused by our operations or attributable to former operators;
- requiring capital expenditures to comply with environmental pollution control, cathodic protection or release detection requirements;
- enjoining the operations of facilities deemed to be in noncompliance with environmental laws and regulations; and
- imposing substantial liabilities for pollution resulting from our operations.

Compliance with existing laws, rules, and regulations has not historically had a material impact on our capital expenditures, earnings or competitive position. With respect to acquired locations, we conduct due diligence regarding potential exposure to environmental liabilities and overall regulatory compliance but cannot be certain that we have identified or will identify all adverse environmental conditions or non-compliance with applicable laws, rules and regulations.

For further discussion, see Part I, Item 1A. “Risk Factors – Risks Related to Governmental Regulation – Our locations are subject to certain environmental laws and regulations.”

Available Information

Our website address is *www.mistercarwash.com*. We post, and stockholders may access without charge, the Company's recent filings and any amendments of its annual reports on Form 10-K, Quarterly reports on Form 10-Q, Current Reports on Form 8-K and its Proxy Statement as soon as reasonably practicable after such reports are filed with the Securities and Exchange Commission (“SEC”).

We may use our website as a distribution channel of material information about the Company. Financial and other important information regarding the Company is routinely posted on and accessible through the Investor Relations sections of its website at *https://ir.mistercarwash.com*.

The reference to the Company's or other websites herein does not constitute incorporation by reference of the information contained on or available through our website, and you should not consider such information to be a part of this Form 10-K.

Item 1A. Risk Factors

You should carefully consider the risks described below, together with all of the other information included in this Annual Report on Form 10-K, before making an investment decision. Our business, financial condition and results of operations could be materially and adversely affected by any of these risks or uncertainties. In that case, the trading price of our common stock could decline, and you may lose all or part of your investment.

Risks Related to Our Business

Global economic conditions, including inflation and supply chain disruptions, could adversely affect our operations.

General global economic downturns and macroeconomic trends, including heightened inflation, capital market volatility, interest rate fluctuations, and economic slowdown or recession, may result in unfavorable conditions that could negatively affect demand for our products and exacerbate some of the other risks that affect our business, financial condition and results of operations. Domestic markets experienced significant inflationary pressures in fiscal year 2022 and inflation rates in the U.S. are currently expected to continue at elevated levels for the near-term. In addition, the Federal Reserve in the U.S. has raised, and may continue to raise, interest rates in response to concerns about inflation, which, coupled with reduced government spending and volatility in financial markets, may have the effect of further increasing economic uncertainty and heightening these risks. Interest rate increases or other government actions taken to reduce inflation could also result in recessionary pressures. Additionally, these risks which are beyond our control, could adversely affect operating costs and administrative expenses such as wages, benefits, supplies and inventory costs, legal claims, insurance costs and borrowing costs. Any such increase could reduce our sales and profit margins if we do not choose, or are unable, to pass the increased costs to our customers.

Furthermore, consumer purchases of car washes decline during periods when economic or market conditions are unstable or weak. Reduced consumer confidence and spending cutbacks may result in reduced demand for our services, which could result in lost sales. Reduced demand also may require increased selling and promotional expenses, thereby impacting our profitability. Changes in areas around our locations or to the adjacent streets that reduce car traffic or otherwise render the locations unsuitable, could cause our sales to be less than expected. Prolonged or pervasive economic downturns could slow the pace of new greenfield openings, reduce comparable sales or cause us to close certain locations, which could have a material negative impact on our financial performance.

We may be unable to sustain or increase demand for our UWC subscription program, which could adversely affect our business, financial condition and results of operations and rate of growth.

Because our UWC subscription program accounted for 68% of our total wash sales in 2022, our continued business and revenue growth is dependent on our ability to continue to attract and retain UWC Members. We view the number of UWC Members and the growth in the number of UWC Members on a net basis from period to period as key indicators of our revenue growth. We may not be successful, however, in continuing to grow the number of UWC Members on a net basis from period to period and our membership levels may decline.

UWC Members can cancel their membership at any time and may decide to cancel or forego memberships due to any number of reasons, including increased prices for UWC membership or for our services, quality issues with our services, harm to our reputation or brand, seasonal usage, or individuals' personal economic pressures. Increasing governmental regulation of automatically renewing subscription programs may negatively impact our marketing of this program. A decline in the number of UWC Members could materially and adversely affect our business, results of operations and financial condition.

If we fail to acquire, open and operate new locations in a timely and cost-effective manner or fail to successfully enter new markets, our financial performance could be materially and adversely affected.

Our growth strategy depends on growing our location base, both through greenfield expansion and acquisitions, in existing and new geographic regions and operating our new locations successfully. Our ability to execute our growth strategy on favorable terms and successfully operate new locations may be exposed to significant risks, including, but not limited to, the following:

- we may be unable to acquire a desired location or property because of competition from other investors with significant capital;
- even if we are able to acquire a desired location or property, competition from other potential acquirers may significantly increase the purchase price or result in other less favorable terms;
- we may be unable to complete an acquisition because we cannot obtain debt and/or equity financing on favorable terms or at all;
- we may spend more than budgeted amounts to make necessary improvements or renovations to acquired locations;
- we may be unable to quickly and efficiently integrate acquired locations into our existing operations;
- acquired properties may be subject to tax reassessment, which may result in higher-than-expected property tax payments;
- loss of key staff at acquired locations or inability to attract, retain and motivate staff necessary for our expanded operations;
- acquired locations or greenfield expansions in regions where we have not historically conducted business may subject us to new operational risks, laws, regulations, staff expectations, customs, and practices; and
- we may acquire properties subject to liabilities and without any recourse, or with only limited recourse, with respect to unknown liabilities, such as liabilities for the remediation of undisclosed environmental contamination; and claims for indemnification by general partners, directors, officers, and others indemnified by the former owners of the properties.

The realization of any of the above risks could significantly and adversely affect our ability to meet our financial expectations, our financial condition, results of operations, and cash flows, the market price of our common stock, and our ability to satisfy our debt service obligations. We cannot assure you that our growth strategy will be successful, or that such expansion will be completed in the time frames or at the costs we estimate.

In addition, there can be no assurance that newly opened or acquired locations will achieve sales or profitability levels comparable to those of our existing locations in the time periods estimated by us, or at all. In instances where new or acquired locations are geographically proximate to existing locations, such locations may also adversely impact the comparable store sales growth of our existing car wash locations. If our locations fail to achieve, or are unable to sustain, acceptable total sales and profitability levels, our business may be materially and adversely affected, and we may incur significant costs associated with the early closure of such locations. Our plans to accelerate the growth of our location base may increase this risk.

We may not be able to successfully implement our growth strategies on a timely basis or at all.

We believe that maintaining and enhancing our reputation and brand recognition are critical to our relationships with existing customers and our ability to attract new customers. The promotion of our brand may require us to make substantial investments and we anticipate that, as our market becomes increasingly competitive, these marketing initiatives may become increasingly difficult and expensive. Our marketing activities may not be successful or yield increased revenue, and to the extent that these activities yield increased revenue, the increased revenue may not offset the expenses we incur, and our results of operations could be materially and adversely affected.

In addition, any factor that diminishes our reputation or that of our management, including failing to meet the expectations of our customers, could make it substantially more difficult for us to attract new customers. The marked increase in the use of social media platforms that provide individuals with access to a broad audience of consumers and other interested persons results in the opportunity for dissemination of information, including inaccurate information. Information posted may be averse to our interests or inaccurate, each of which may harm our performance, prospects or business. The harm may be immediate without affording us an opportunity for redress or correction.

If we do not successfully maintain and enhance our reputation and brand recognition with our customers, our business may not grow and we could lose our relationships with customers, which would materially and adversely affect our business, results of operations and financial condition.

We are subject to a number of risks and regulations related to credit card and debit card payments we accept.

We accept payments through credit card and debit card transactions. For credit card and debit card payments, we pay interchange and other fees, which may increase over time. An increase in those fees would require us to either increase the prices we charge for our memberships, which could cause us to lose UWC Members or suffer an increase in our operating expenses, either of which could harm our operating results.

If we or any of our processing vendors have problems with our billing software or the billing software malfunctions, it could have an adverse effect on our member satisfaction and could cause one or more of the major credit card companies to disallow our continued use of their payment products. In addition, if our billing software fails to work properly and, as a result, we do not automatically charge our UWC Members' credit cards or debit cards on a timely basis or at all, we could lose membership revenue, which would materially and adversely affect our operating results.

If we fail to adequately control fraudulent credit card and debit card transactions, we may face civil liability, diminished public perception of our security measures and significantly higher credit card and debit card related costs, each of which could adversely affect our business, financial condition and results of operations. We are subject to a number of federal regulations relating to the use of debit and credit cards, such as the Electronic Funds Act and the Truth in Lending Act of 1968, which provide guidelines and parameters for payment processing on debit cards and credit cards, respectively, and certain state regulations relating to automatic renewal, including, among others, the California Business & Professional Code Section 17601-17606, as amended, which provides requirements we must follow for the automatic renewal of subscription fees such as those charged to our UWC Members. We may also face legal liability or reputational harm for any failure, or any allegation that we have failed, to comply with such consumer protection laws relating to consumer debit or credit transactions. We also are subject to the Payment Card Industry Data Security Standard ("PCI DSS"), issued by the PCI Council and to the American National Standards Institute ("ANSI") data encryption standards and payment network security operating guidelines, as well as the Fair and Accurate Credit Transactions Act ("FACTA"). Failure to comply with these guidelines or standards may result in the imposition of financial penalties or the allocation by debit and credit card companies of the costs of fraudulent charges to us.

Any material interruptions or failures in our payment related systems could have a material adverse effect on our business, results of operations and financial condition. If we are unable to comply with the security standards established by banks and the payment card industry, we may be subject to fines, restrictions and expulsion from card acceptance programs, which could materially and adversely affect our retail operations and the UWC program.

We depend on a limited number of suppliers for most of our car wash equipment and certain supplies.

We rely on a limited number of suppliers for most of the car wash equipment and certain other supplies we use in our operations. Our ability to secure such equipment and supplies from alternative sources as needed may be time-consuming or expensive or may cause a temporary disruption in our supply chain. In recent months, we have anticipated intermittent shortages of certain supplies from our standard vendors and, accordingly, we enhanced our sourcing procedures to identify alternative suppliers and avoid any actual shortages, albeit sometimes at additional cost. Additionally, we do not have a supplier contract with our main supplier of car wash tunnel equipment, and our orders are based on purchase orders. As such, we are subject to the risk that a supplier will not continue to provide us with the required car wash tunnel equipment. We also do not carry a significant inventory of such equipment. Increasingly during 2021, the delivery times were extended on certain equipment for our greenfield pipeline but, through alternative sourcing, we have thus far avoided any significant disruptions. Shortages or interruptions in the supply of car wash equipment and other supplies could occur for reasons within or beyond the control of us and the supplier. Decreased fuel supplies are anticipated to increase fuel prices, which may adversely impact our transportation costs. Any shortage or interruption to our supply chain could reduce our sales and profit margins, which in turn may materially and adversely affect our business and results of operations.

Our locations may experience difficulty hiring and retaining qualified personnel, resulting in higher labor costs.

The operation of our locations requires both entry-level and skilled team members, and trained personnel continue to be in high demand and short supply at competitive compensation levels in some areas, which is likely to result in increased labor costs. Accordingly, we may experience increased difficulty hiring and maintaining such qualified personnel. In addition, the formation of unions may increase the operating expenses of our locations. Any such future difficulties could result in a decline in customer service negatively impacting sales at our locations, which could in turn materially and adversely affect our business, results of operations and financial condition.

Many of our key personnel have worked for us for a significant amount of time or were recruited by us specifically due to their experience. Our success depends in part upon the reputation and influence within the industry of our senior managers. Each of our executive officers and other key employees may terminate his or her relationship with us at any time and the loss of the services of one or a combination of our senior executives or members of our senior management team may significantly delay or prevent the achievement of our business or development objectives and could materially harm our business. Further, contractual obligations related to confidentiality and noncompetition may be ineffective or unenforceable, and departing employees may share our proprietary information with competitors in ways that could adversely impact us.

We lease or sublease the land and buildings where a number of our locations are situated, which could expose us to possible liabilities and losses.

We lease the land and buildings where a significant number of our locations are located. The terms of the leases and subleases vary in length, with primary terms (i.e., before consideration of option periods) expiring on various dates. In addition, we may not be able to terminate a particular lease if or when we would like to do so, which could prevent us from closing or relocating certain underperforming locations. Our obligations to pay rent are generally non-cancelable, even if the location operated at the leased or subleased location is closed. Thus, if we decide to close locations, we generally are required to continue paying rent and operating expenses for the balance of the lease term. The performance of any of these obligations may be expensive. We may not assign or sublet the leased locations without consent of the landlord. When we assign or sublease vacated locations, we may remain liable on the lease obligations if the assignee or sub-lessee does not perform. Accordingly, we are subject to the risks associated with leasing locations which can have a material adverse effect on us.

As leases expire, we may be unable to negotiate renewals on commercially acceptable terms or at all, which could cause us to close locations in desirable locations or otherwise negatively affect profits, which in turn could materially and adversely affect our business and results of operations.

We depend on cash from our operating activities to make lease payments for our leases, which may strain our cash flow.

We depend on net cash provided by operating activities to pay our rent and other lease expenses and to fulfill our other cash needs. If our business does not generate sufficient cash provided by operating activities, and sufficient funds are not otherwise available to us from borrowings under our First Lien Term Loan and Revolving Commitment or from other sources, we may not be able to service our lease expenses, grow our business, respond to competitive challenges or fund our other liquidity and capital needs, which would harm our business.

Changes in applicable tax laws could have a material and adverse effect on our business, financial condition and results of operations. Our effective tax rate could also change materially as a result of various evolving factors, including changes in income tax law or changes in the scope of our operations.

We are subject to income taxation at the federal and state level due to the scope of our operations. We have also recorded non-income tax-based liabilities such as those related to sales, property, payroll and withholding tax. We have structured our operations in a manner designed to comply with current prevailing laws but the Internal Revenue Service, state and/or local taxing authorities could seek to impose incremental or new taxes on our business operations. In addition, changes in federal and state tax rates, laws and regulations may result in additional income and non-income tax liabilities being imposed on us and have an adverse effect on our effective tax rate, results of

operations and financial condition. Lastly, changes in the scope of our operations, including expanding into new geographies, could increase our income tax liabilities and have an adverse impact on our effective tax rate.

Risks Related to Our Indebtedness and Capital Requirements

Our indebtedness could adversely affect our financial health and competitive position.

As of December 31, 2022, we had \$895.5 million of indebtedness, net of unamortized debt issuance costs, outstanding pursuant to an amended and restated first lien credit agreement entered into on May 14, 2019 (“First Lien Term Loan”). To service this debt and any additional debt we may incur in the future, we need to generate cash. Our ability to generate cash is subject, to a certain extent, to our ability to successfully execute our business strategy, including acquisition activity, as well as general economic, financial, competitive, regulatory and other factors beyond our control. There can be no assurance that our business will be able to generate sufficient cash flow from operations or that future borrowings or other financing will be available to us in an amount sufficient to enable us to service our debt and fund our other capital needs. To the extent we are required to use our cash flow from operations or the proceeds of any future financing to service our debt instead of funding working capital, capital expenditures, or acquisitions, we will be less able to plan for, or react to, changes in our business, industry and in the economy generally. This places us at a competitive disadvantage compared to our competitors that have less debt. There can be no assurance that we will be able to refinance any of our debt on commercially reasonable terms or at all, or that the terms of that debt will allow any of the above alternative measures or that these measures would satisfy our scheduled debt service obligations. If we are unable to generate sufficient cash flow to repay or refinance our debt on favorable terms, it could significantly adversely affect our financial condition and the value of our outstanding debt. Our ability to restructure or refinance our debt will depend on the condition of the capital markets and our financial condition. Any refinancing of our debt could be at higher interest rates and may require us to comply with more onerous covenants, which could further restrict our business operations, make it more difficult for us to obtain additional capital and to pursue business opportunities, including potential acquisitions.

On March 5, 2021, the ICE Benchmark Administration (“IBA”), the administrator of LIBOR, and the United Kingdom’s Financial Conduct Authority (the “FCA”), the regulatory supervisor of the IBA, announced in public statements (the “Announcements”) that the final publication or representativeness date for one-week and two-month USD LIBOR tenors will be December 31, 2021 and all other USD Libor tenors (overnight, one-month, three-month, six-month and 12-month) will be June 30, 2023. As a result, USD LIBOR will not be available for use in agreements and other instruments after the relevant cessation date and may ultimately cease to be utilized in advance of such relevant cessation date. In December 2022, we entered into Amendment No. 4 to our Amended and Restated First Lien Credit Agreement with the lenders party thereto, and Jeffries Finance LLC, as administrative agent, to transition from LIBOR to Eurocurrency rate SOFR spread, whereas all revolver borrowings and term loan borrowings under the existing credit agreement will be SOFR based.

The terms of our Credit Facilities impose certain operating and financial restrictions on us that may impair our ability to adapt to changing competitive or economic conditions.

The credit agreements governing our Credit Facilities contain, and any agreements evidencing or governing other future debt may contain, certain restrictive covenants that limit our ability, among other things, to engage in certain activities that are in our long-term best interests, including our ability to:

- incur liens;
- incur or assume additional debt or amend our debt and other material agreements;
- issue certain disqualified stock;
- declare or make dividends or distributions and redeem, repurchase or retire equity interests;
- prepay, redeem or repurchase debt;
- make investments, loans, advances, guarantees and acquisitions;
- enter into agreements restricting the ability to pay dividends or grant liens securing the obligations under the credit agreements;

- amend or modify governing documents;
- enter into transactions with affiliates;
- engage in certain business activities or alter the business conducted by us and our restricted subsidiaries; and
- engage in certain mergers, consolidations and asset sales.

In addition, the First Lien Term Loan contains a springing maximum first lien net leverage ratio financial covenant. Our ability to meet this requirement can be affected by events beyond our control, and we may not be able to satisfy such financial covenants. Our ability to comply with these covenants and restrictions may be affected by events and factors beyond our control. Our failure to comply with any of these covenants or restrictions could result in an event of default under our Credit Facilities. An event of default would permit the lending banks under the facility to take certain actions, including terminating all outstanding commitments and declaring all amounts outstanding under our credit facility to be immediately due and payable, including all outstanding borrowings, accrued and unpaid interest thereon, and all other amounts owing or payable with respect to such borrowings and any terminated commitments.

In addition, the lenders would have the right to proceed against the collateral we granted to them, which includes substantially our assets.

In order to support the growth of our business, we may need to incur additional indebtedness or seek capital through new equity or debt financings, which sources of additional capital may not be available to us on acceptable terms or at all.

We intend to continue to make significant investments to support our business growth, respond to business challenges or opportunities, develop new services, enhance our existing services and operating infrastructure and potentially acquire complementary businesses and assets. For the year ended December 31, 2022, our net cash provided by operating activities was \$229.2 million. As of December 31, 2022, we had \$65.2 million of cash and cash equivalents, which were held for working capital purposes.

Our future capital requirements may be significantly different from our current estimates and will depend on many factors, including the need to:

- finance unanticipated working capital requirements;
- develop or enhance our infrastructure and our existing services;
- acquire complementary businesses, assets or services;
- ensure the availability of sale-leaseback arrangements when we engage in an acquisition;
- fund strategic relationships, including joint ventures and co-investments;
- fund additional implementation engagements; and
- respond to competitive pressures.

Accordingly, we may need to engage in equity or debt financings or other arrangements to secure additional funds. Additional financing may not be available on terms favorable to us, or at all. If we raise additional funds through further issuances of equity or convertible debt securities, our existing stockholders could suffer significant dilution, and any new equity securities we issue could have rights, preferences and privileges superior to those of holders of our ordinary shares. In addition, during times of economic instability, it has been difficult for many companies to obtain financing in the public markets or to obtain debt financing, and we may not be able to obtain additional financing on commercially reasonable terms, if at all. If we are unable to obtain adequate financing or financing on terms satisfactory to us, it could have a material and adverse effect on our business, results of operations and financial condition.

We are a holding company and depend on our subsidiaries for cash to fund operations and expenses, including future dividend payments, if any.

We are a holding company that does not conduct any business operations of our own. As a result, we are largely dependent upon cash distributions and other transfers from our subsidiaries to meet our obligations and to make future dividend payments, if any. We do not currently expect to declare or pay dividends on our common stock for the foreseeable future; however, the agreements governing the indebtedness of our subsidiaries impose restrictions on our subsidiaries' ability to pay dividends or other distributions to us. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources." The deterioration of the earnings from, or other available assets of, our subsidiaries for any reason could impair their ability to make distributions to us.

Risks Related to Government Regulation

Our business is subject to various laws and regulations and changes in such laws and regulations, or failure to comply with existing or future laws and regulations, could adversely affect our business.

Our business is subject to numerous and frequently changing federal, state and local laws and regulations. We routinely incur significant costs in complying with these regulations. New or existing laws, regulations and policies, liabilities arising thereunder and the related interpretations and enforcement practices, particularly those dealing with minimum wages, paid sick time, workplace safety, employee and public health crisis, such as the COVID-19 pandemic, advertising and marketing, consumer protection, recurring debit and credit card charges, information security, data privacy, environmental protection including recycling, waste, water usage, zoning and land use, taxation and public company compliance, may result in significant added expenses or may require extensive system and operating changes that may be difficult to implement and/or could materially increase our cost of doing business. In addition, we are subject to environmental laws pursuant to which we could be strictly liable for any contamination at our current or former locations, or at third-party waste disposal sites, regardless of our knowledge of or responsibility for such contamination.

Our locations are subject to certain environmental laws and regulations.

Our current and former car wash operations and quick lube businesses, as well as our former motor fuel dispensing, are governed by stringent federal, state and local laws and regulations, including environmental regulations of the handling, storage, transportation, import/export, recycling, or disposing of various new and used products the generation, storage and disposal of solid and hazardous wastes, and the release of materials into the environment. Additionally, in the course of our operations, we may generate some amounts of material that may be regulated as hazardous substances.

Pursuant to these laws and regulations, or future changes thereto, we may be required to obtain and maintain approvals or permits for the discharge of wastewater or storm water and are required to develop and implement spill prevention, control and countermeasure plans in connection with on-site storage of significant quantities of motor fuel. We believe that we maintain all required discharge permits necessary to conduct our operations, and further believe we are in substantial compliance with the terms thereof.

The federal Clean Air Act, as amended, ("CAA") and similar state laws impose requirements on emissions to the air from motor fueling activities in certain areas of the country, including those that do not meet state or national ambient air quality standards. These laws may require the installation of vapor recovery systems to control emissions of volatile organic compounds to the air during the motor fueling process.

Under the CAA and comparable state and local laws, permits are typically required to emit regulated air pollutants into the atmosphere. In addition, the federal Clean Water Act ("CWA") and analogous state laws may require us to obtain and maintain individual permits or coverage under general permits for discharges of wastewater or storm water runoff. While we expect to obtain necessary approvals for our operations, as with all governmental permitting processes, there is a degree of uncertainty as to whether a particular permit will be granted, the time it will take for such permit to be issued, and the conditions that may be imposed in connection with the granting of such permit. We are unaware of pending changes to environmental laws and regulations that will have a material adverse effect on our financial condition, results of operations or cash available for distribution to our stockholders; nonetheless, there exists the possibility that new laws or regulations may be imposed in the future that could result in more stringent

and costly compliance requirements that potentially could materially and adversely affect our business. We are not presently aware of any material liability related to the costs of investigations and cleaning up sites of spills, disposals or other releases of hazardous materials at our current or former locations or business operations.

The historical transportation, distribution and storage of motor fuels (diesel fuel and gasoline) and other chemicals are subject to environmental protection and operational safety laws and regulations.

As of December 31, 2020, the Company had divested its quick lube business but in December 2021 acquired four quick lube operations. As of December 31, 2022, the Company was no longer dispensing gasoline or diesel fuels at any location.

Where releases of motor fuels, petroleum products, chemicals or other substances or wastes have occurred, federal and state laws and regulations require that contamination caused by such releases be assessed and remediated to meet applicable clean-up standards.

Changing Climate, Global Climate Change Regulations and Greenhouse Gas Effects may Adversely Affect our Operations and Financial Performance.

There is continuing concern from members of the scientific community and the general public that emissions of greenhouse gases ("GHG") and other human activities have or will cause significant changes in weather patterns and increase the frequency or severity of extreme weather events, including droughts, wildfires and flooding. These types of extreme weather events have and may continue to adversely impact us, our suppliers, our customers and their ability to purchase our products and our ability to timely receive appropriate raw materials to manufacture and transport our products on a timely basis.

Any adverse environmental impact on our locations due to climate change could materially and adversely affect our business and the results of our operations. New federal or state legislation or regulations on greenhouse gas ("GHG") emissions that may be imposed in areas of the United States in which we conduct business and that apply to our operations could adversely affect our business.

If such legislation or regulations are enacted, we could incur increased energy, environmental and other costs and capital expenditures to comply with the limitations.

We, along with other companies in many business sectors, are considering and implementing environmental, social and governance ("ESG") and sustainability strategies, specifically ways to reduce GHG emissions. As a result, our customers may request that changes be made to our products or facilities, as well as other aspects of our business, that increase costs and may require the investment of capital. Failure to provide climate-friendly products or demonstrate GHG reductions could potentially result in loss of market share.

Government regulations, weather conditions including drought and natural hazards may affect the availability of water supplies for use at our car wash locations.

Our ability to meet the existing and future water demands at our car wash locations depends on adequate supplies of water. Generally, the water used in our car wash locations is sourced from rivers, lakes, streams and groundwater aquifers and, in some limited instances, through onsite groundwater wells. As such, we typically do not own the water that we use in our operations but instead are dependent on local public and/or private water agencies for most of the water used. Accordingly, governmental restrictions on water use may result in decreased access to water supplies or to temporary suspension of water usage from time to time.

Climate change, drought, overuse of sources of water, the protection of threatened species or habitats or other factors may limit the availability of ground and surface water and our access to water supplies. Ongoing drought conditions currently exist in several areas of the United States, particularly in the western states, where we operate. Governmental restrictions on water use may also result in decreased access to water supplies, which may adversely affect our financial condition and results of operations. Water service interruptions are also possible due to severe weather events, including winter storms and freezing conditions in colder climate locations, high wind conditions in areas known to experience tornados, earthquakes in areas known to experience seismic activity, high water conditions in areas located in or near designated flood plains, hurricanes, and severe electrical storms.

Any interruption in our ability to access water could materially and adversely affect the results of our operations and financial condition. Furthermore, losses from business interruptions or damage to our facilities might not be covered by our insurance policies and such losses may make it difficult for us to secure insurance coverage in the future at acceptable rates.

Risks Related to Intellectual Property, Information Technology and Data Privacy

We are subject to data security and privacy risks that could negatively impact our results of operations or reputation.

We collect, process, transmit and store personal, sensitive and confidential information, including our proprietary business information and that of consumers (including UWC Members), employees and suppliers. The secure processing, maintenance and transmission of this information is critical to our operations.

Increased global IT security threats and more sophisticated and targeted computer crime and increased ransomware attacks pose a risk to the security of our computer systems and networks and the confidentiality, availability and integrity of our data. Despite our security measures, we have been subject to cyber-attacks and attempts in the past and our IT systems and infrastructure may continue to be vulnerable to computer viruses, cyber-attacks, security breaches caused by employee error or malfeasance or other disruptions in the future. Though no such incident to date has had a material impact on our business, we cannot ensure that our security efforts will prevent unauthorized access or loss of functionality to our or our third-party providers' systems. Any such incident could compromise our networks and the information stored there could be accessed, publicly disclosed, lost or stolen. A security breach of our computer systems or those of our third-party service providers and business partners could interrupt or damage our operations or harm our reputation, or both. In addition, any such breach, attack, virus or other event could result in costly investigations and litigation, government enforcement actions, civil or criminal penalties, fines, operational changes or other response measures, loss of consumer confidence in our security measures, and negative publicity that could materially and adversely affect our brand, business, results of operations and financial condition. These costs and losses may not be adequately covered by applicable insurance coverage or other contractual rights available to us.

We must comply with increasingly and complex privacy and security laws and regulations in the United States. Further, in June 2018 California enacted the California Consumer Privacy Act (the "CCPA"), which went into effect on January 1, 2020. The CCPA gives California residents certain rights to access and delete their personal information, opt out of certain personal information sharing, and receive detailed information about how their personal information is used. The CCPA provides for civil penalties for violations, as well as a private right of action for data breaches that is expected to increase data breach litigation. Although there are limited exemptions for health-related information, including Protected Health Information and clinical trial data, the CCPA may increase our compliance costs and potential liability. Further, the California Privacy Rights and Enforcement Act (the "CPRA"), which went into effect on January 1, 2023, significantly amends the CCPA and will impose additional data protection obligations on covered businesses, including additional consumer rights processes, limitations on data uses, new audit requirements for higher risk processing, and opt outs for certain uses of sensitive data. It will also create a new California data protection agency authorized to issue substantive regulations and could result in increased privacy and information security enforcement. Similar laws have been proposed or enacted in other states and at the federal level, and when passed, such laws may have potentially conflicting requirements that would make compliance challenging. Our operations are subject to the Telephone Consumer Protection Act and similar state laws.

As a general matter, compliance with laws, regulations and any applicable rules or guidance from self-regulatory organizations relating to privacy, data protection, information security and consumer protection may result in substantial costs and may necessitate changes to our business practices, which may compromise our growth strategy, materially and adversely affect our ability to acquire customers and otherwise materially and adversely affect our business, results of operations and financial condition.

We may be unable to adequately protect, and we may incur significant costs in enforcing or defending, our intellectual property and other proprietary rights.

Our success depends in part on our brand image and our ability to enforce and defend our intellectual property and other proprietary rights and differentiate ourselves from our competitors. We rely upon a combination of trademark,

patent, trade secret, copyright, and unfair competition laws, and other contractual provisions, to protect our intellectual property and other proprietary rights. We cannot assure you that the steps we take to protect our intellectual property and other proprietary rights will be adequate to prevent the infringement or other violation of such rights by others, including the imitation and misappropriation of our brand, which could damage our brand identity and the goodwill we have created. To the extent that our intellectual property and other proprietary rights are not adequately protected, third parties may challenge, invalidate, circumvent, infringe or misappropriate our intellectual property or the intellectual property of our third-party licensors, or such intellectual property may not be sufficient to permit us to take advantage of current market trends or otherwise to provide competitive advantages, which could result in costly redesign efforts, discontinuance of certain service offerings or other competitive harm. We may have to litigate to enforce or determine the scope and enforceability of our intellectual property rights, which is expensive and could exceed applicable insurance coverage, could cause a diversion of resources and may not prove successful. The loss of intellectual property protection or the inability to obtain sufficient rights to use third-party intellectual property could harm our business and ability to compete.

We may be subject to infringement claims.

Although we believe that our services and operations do not infringe upon or otherwise violate the proprietary rights of third parties, we cannot guarantee that we do not, and will not in the future, infringe or otherwise violate the proprietary rights of third parties. Third parties have in the past, and may in the future, assert infringement or other intellectual property violation claims against us with respect to future products, services or operations. Any claim from a third party may result in a limitation on our ability to use our intellectual property. Even if we believe that intellectual property related claims are without merit, defending against such claims is time-consuming, expensive and could result in the diversion of the time and attention of our management and employees. Claims of intellectual property infringement are inherently uncertain, and might require us to redesign affected services, enter into costly settlement or license agreements, pay costly damage awards for which we may not have insurance coverage, or face a temporary or permanent injunction prohibiting us from marketing or selling certain of our services. Even if we have an agreement for indemnification against such costs, the indemnifying party, if any in such circumstances, may be unable to uphold its contractual obligations. If we cannot or do not license the infringed technology on reasonable terms or substitute similar technology from another source, our business, results of operations, and financial condition could be materially and adversely affected.

Risks Related to Ownership of Our Common Stock

We are a "controlled company" within the meaning of the NYSE rules and, as a result, will qualify for, and may rely on, exemptions from certain corporate governance requirements.

LGP has more than 50% of the voting power for the election of directors, and, as a result, we are considered a "controlled company" for the purposes of the New York Stock Exchange ("the NYSE"). Although we currently comply with the NYSE rules applicable to companies that do not qualify as a "controlled company," as a "controlled company," in the future we may elect not to comply with certain corporate governance standards, including the requirements:

- that a majority of our board of directors consist of independent directors;
- that our board of directors have a nominating and corporate governance committee that is composed entirely of independent directors with a written charter addressing the committee's purpose and responsibilities;
- that our board of directors have a compensation committee that is composed entirely of independent directors with a written charter addressing the committee's purpose and responsibilities; and
- for an annual performance evaluation of the nominating and corporate governance committee and compensation committee.

For as long as LGP owns more than 50% of our common stock it will be able to exert a controlling influence over all matters requiring stockholder approval, including the nomination and election of directors and approval of significant corporate transactions, such as a merger or other sale of our Company or its assets. Even if LGP were to own or control less than a majority of our total outstanding shares of

common stock, it will be able to influence the outcome of corporate actions so long as it owns a significant portion of our total outstanding shares of common stock.

LGP may have interests that are different from our other stockholders and may vote in a way with which our other stockholders disagree and that may be averse to their respective interests. In addition, LGP's concentration of ownership could have the effect of delaying or preventing a change in control or otherwise discouraging a potential acquirer from attempting to obtain control of us, which could cause the market price of our common stock to decline or prevent our stockholders from realizing a premium over the market price for their common stock.

Our amended and restated certificate of incorporation could prevent us from benefiting from corporate opportunities that might otherwise have been available to us.

Our amended and restated certificate of incorporation will, to the maximum extent permitted from time to time by Delaware law, renounce any interest or expectancy that we have in, or right to be offered an opportunity to participate in, specified business opportunities that are from time to time presented to our officers, directors or stockholders or their respective affiliates, other than those officers, directors, stockholders or affiliates who are our or our subsidiaries' employees. Our amended and restated certificate of incorporation will provide that, to the fullest extent permitted by law, none of LGP or any of their affiliates or any director who is not employed by us (including any non-employee director who serves as one of our officers in both his director and officer capacities) or his or her affiliates will have any duty to refrain from (i) engaging in a corporate opportunity in the same or similar lines of business in which we or our affiliates now engage or propose to engage or (ii) otherwise competing with us or our affiliates. In addition, to the fullest extent permitted by law, in the event that LGP or any non-employee director acquires knowledge of a potential transaction or other business opportunity which may be a corporate opportunity for itself or himself or its or his affiliates or for us or our affiliates, such person will have no duty to communicate or offer such transaction or business opportunity to us or any of our affiliates and they may take any such opportunity for themselves or offer it to another person or entity. Our amended and restated certificate of incorporation will not renounce our interest in any business opportunity that is expressly offered to a non-employee director solely in his or her capacity as a director or officer of the Company. To the fullest extent permitted by law, no business opportunity will be deemed to be a potential corporate opportunity for us unless we would be permitted to undertake the opportunity under our amended and restated certificate of incorporation, we have sufficient financial resources to undertake the opportunity and the opportunity would be in line with our business.

As a result of these provisions in our amended and restated certificate of incorporation, we may not receive the benefit from certain corporate opportunities, such as an acquisition target or other extraordinary transaction, that might have otherwise been available to us and potentially beneficial to our business.

Sales of a substantial number of shares of our common stock in the public market by our existing stockholders could cause our stock price to fall.

Sales of a substantial number of shares of our common stock in the public market or the perception that these sales might occur, could depress the market price of our common stock and could impair our ability to raise capital through the sale of additional equity securities.

Moreover, holders of approximately 73% of our outstanding common stock as of the date of this Annual Report on Form 10-K have rights, pursuant to the Stockholders Agreement, to require us to file registration statements for the public sale of their shares or to include their shares in registration statements that we may file for ourselves or other stockholders. A registration statement covering such shares has been filed and has been declared effective. Any sales of securities by these stockholders could have a material and adverse effect on the trading price of our common stock.

As of December 31, 2022 we are no longer an "emerging growth company", and we are no longer able to take advantage of the reduced disclosure requirements applicable to "emerging growth companies".

As of June 30, 2022, the market value of our ordinary shares that were held by non-affiliates exceeded \$700.0 million and therefore, as of December 31, 2022, we no longer qualified as an emerging growth company under the Jumpstart Our Business Startups Act of 2012. On December 31, 2022, we became a large accelerated filer and the reduced disclosure obligations of emerging growth companies are no longer available to us. As an emerging growth

company, we took advantage of certain exemptions from various reporting requirements that are applicable to other public companies. As a result, we will need to comply with the independent auditor attestation requirements of Section 404 of the Sarbanes-Oxley Act of 2002, or the Sarbanes-Oxley Act, beginning with this Annual Report on Form 10-K for the year ended December 31, 2022, will be required to hold a say-on-frequency vote at our 2023 annual general meeting of stockholders, and will no longer be entitled to provide the reduced executive compensation disclosures permitted by emerging growth companies in this Annual Report on Form 10-K and our proxy statement for the 2023 annual general meeting of stockholders. We expect that our transition from “emerging growth company” to “large accelerated filer” will require additional attention from management and will result in increased costs to us, which could include higher legal fees, accounting fees and fees associated with investor relations activities, among others.

If we fail to maintain proper and effective internal controls, our ability to produce accurate and timely financial statements could be impaired, which could harm our operating results, our ability to operate our business and investors’ views of us.

We are required to comply with Section 404 of the Sarbanes-Oxley Act. Section 404 of the Sarbanes-Oxley Act requires public companies to maintain effective internal control over financial reporting. In particular, we must perform system and process evaluation and testing of our internal control over financial reporting to allow management to report on the effectiveness of our internal control over financial reporting. In addition, we are required to have our independent registered public accounting firm attest to the effectiveness of our internal control over financial reporting beginning with this Annual Report on Form 10-K for the fiscal year ended December 31, 2022. Ensuring that we have adequate internal financial and accounting controls and procedures in place so that we can produce accurate financial statements on a timely basis is a costly and time-consuming effort that will need to be evaluated frequently. If we fail to maintain the effectiveness of our internal controls or fail to comply in a timely manner with the requirements of the Sarbanes-Oxley Act, or if we or our independent registered public accounting firm identify deficiencies in our internal control over financial reporting that are deemed to be material weaknesses, this could have a material adverse effect on our business. We could lose investor confidence in the accuracy and completeness of our financial reports, which could have an adverse effect on the price of our common stock and we could be subject to sanctions or investigations by NYSE, the SEC or other regulatory authorities, which would require additional financial and management resources. In addition, if our efforts to comply with new or changed laws, regulations, and standards differ from the activities intended by regulatory or governing bodies due to ambiguities related to practice, regulatory authorities may initiate legal proceedings against us and our business may be harmed.

Some provisions of our charter documents and Delaware law may have anti-takeover effects that could discourage an acquisition of us by others, even if an acquisition would be beneficial to our stockholders, and may prevent attempts by our stockholders to replace or remove our current management.

Provisions in our amended and restated certificate of incorporation and our amended and restated bylaws, as well as provisions of the Delaware General Corporation Law (“DGCL”), could make it more difficult for a third party to acquire us or increase the cost of acquiring us, even if doing so would benefit our stockholders, including transactions in which stockholders might otherwise receive a premium for their shares. These provisions include:

- establishing a classified Board such that not all members of the Board are elected at one time;
- allowing the total number of directors to be determined exclusively (subject to the rights of holders of any series of preferred stock to elect additional directors) by resolution of our Board and granting to our Board the sole power (subject to the rights of holders of any series of preferred stock or rights granted pursuant to the Stockholders’ Agreement) to fill any vacancy on the Board;
- providing that our stockholders may remove members of our Board only for cause and only by the affirmative vote of the holders of at least two-thirds of the voting power of our then-outstanding stock, following such time as LGP ceases to beneficially own, in the aggregate, at least 50% of the voting power of our common stock;
- authorizing the issuance of “blank check” preferred stock by our Board, without further stockholder approval, to thwart a takeover attempt;

- prohibiting stockholder action by written consent (and, thus, requiring that all stockholder actions be taken at a meeting of our stockholders), if LGP ceases to beneficially own, in the aggregate, at least 50% of the voting power of our common stock;
- eliminating the ability of stockholders to call a special meeting of stockholders, except for LGP for so long as LGP beneficially owns, in the aggregate, at least 50% of the voting power of our common stock;
- establishing advance notice requirements for nominations for election to the Board or for proposing matters that can be acted upon at annual stockholder meetings; and
- requiring the approval of the holders of at least two-thirds of the voting power of all outstanding stock entitled to vote thereon, voting together as a single class, to amend or repeal our certificate of incorporation or bylaws if LGP ceases to beneficially own, in the aggregate, at least 50% of the voting power of our common stock.

These provisions could discourage, delay or prevent a transaction involving a change in control. They could also discourage proxy contests and make it more difficult for stockholders to elect directors of their choosing and cause us to take corporate actions other than those that stockholders desire.

Our amended and restated certificate of incorporation provides that the Court of Chancery of the State of Delaware or federal district courts of the United States will be the sole and exclusive forum for certain types of lawsuits, which could limit our stockholders' abilities to obtain a favorable judicial forum for disputes with us or our directors, officers or employees.

Our amended and restated certificate of incorporation and amended and restated bylaws require, to the fullest extent permitted by law, that (i) any derivative action or proceeding brought on our behalf, (ii) any action asserting a claim of breach of a fiduciary duty owed by any of our directors, officers, or other employees to us or our stockholders, (iii) any action asserting a claim against us arising pursuant to any provision of the DGCL or the amended and restated certificate of incorporation or the proposed bylaws, or (iv) any action asserting a claim against us governed by the internal affairs doctrine will have to be brought only in the Court of Chancery in the State of Delaware (or the federal district court for the District of Delaware or other state courts of the State of Delaware if the Court of Chancery in the State of Delaware does not have jurisdiction). The amended and restated certificate of incorporation and amended and restated bylaws also require that the federal district courts of the United States of America will be the exclusive forum for the resolution of any complaint asserting a cause of action arising under the Securities Act; however, there is uncertainty as to whether a court would enforce such provision, and investors cannot waive compliance with federal securities laws and the rules and regulations thereunder. Although we believe these provisions benefit us by providing increased consistency in the application of applicable law in the types of lawsuits to which they apply, the provisions may have the effect of discouraging lawsuits against our directors and officers. These provisions would not apply to any suits brought to enforce any liability or duty created by the Exchange Act or any other claim for which the federal courts of the United States have exclusive jurisdiction.

We do not intend to pay dividends for the foreseeable future.

We currently intend to retain any future earnings to finance the operation and expansion of our business and we do not expect to declare or pay any dividends in the foreseeable future. Moreover, the terms of our existing First Lien Term Loan and Revolving Commitment restrict our ability to pay dividends, and any additional debt we may incur in the future may include similar restrictions. In addition, Delaware law may impose requirements that may restrict our ability to pay dividends to holders of our common stock. As a result, stockholders must rely on sales of their common stock after price appreciation as the only way to realize any future gains on their investment.

Item 1B. Unresolved Staff Comments

None.

Item 2. Properties

We lease 25,350 and own 27,973 square feet of office space at our corporate headquarters in Tucson, Arizona. As of December 31, 2022, we leased 374 locations and owned 59 locations. We also operate 3 locations still owned by third-party developers. The chart below provides a breakdown of our operating car wash locations as of December 31, 2022:

State	Locations
Alabama	13
Arizona	16
California	48
Colorado	6
Florida	75
Georgia	22
Idaho	7
Illinois	1
Iowa	15
Maryland	2
Michigan	29
Minnesota	24
Mississippi	8
Missouri	7
New Mexico	18
Pennsylvania	4
Tennessee	16
Texas	77
Utah	19
Washington	15
Wisconsin	14
Total	436

Item 3. Legal Proceedings

We are subjected from time-to-time to various claims, lawsuits and other legal proceedings, including intellectual property claims. Some of these claims, lawsuits and other legal proceedings involve highly complex issues, and often these issues are subject to substantial uncertainties. Accordingly, our potential liability with respect to a large portion of such claims, lawsuits and other legal proceedings cannot be estimated with certainty. Management, with the assistance of legal counsel, periodically reviews the status of each significant matter and assesses potential financial exposure. We recognize provisions for claims or pending litigation when we determine that an unfavorable outcome is probable, and the amount of loss can be reasonably estimated. Due to the inherent uncertain nature of litigation, the ultimate outcome or actual cost of settlement may materially vary from estimates. If management's estimates prove incorrect, we could incur a charge to earnings which could have a material and adverse effect on our business, results of operations, and financial condition. We are not party to any material legal proceedings.

Item 4. Mine Safety Disclosures

Not applicable.

Information About Our Executive Officers

Our executive officers as of February 24, 2023, are as follows:

Name	Age	Officer Since	Position
John Lai	59	2013	Chairperson, President and Chief Executive Officer
Jedidiah Gold	43	2019	Chief Financial Officer
Mayra Chimienti	39	2022	Chief Operating Officer
Markus Hartmann	59	2022	General Counsel

Effective March 14, 2022, Mayra Chimienti was appointed Chief Operating Officer of the Company. Ms. Chimienti had served as the Company's Vice President, Operations Services since July 2017. Ms. Chimienti joined the Company in 2007 and previously served as Director of Training & Development from March 2013 to July 2017.

Effective October 28, 2022, Markus Hartmann was named General Counsel and leads the Company's legal function in ethics and compliance, intellectual property and other general corporate legal matters. Mr. Hartmann brings over 20 years of experience advising companies on wide-ranging critical corporate initiatives and most recently served as Senior Compliance Officer at Stryker Corporation (Spine Division) (NYSE: SYK), one of the world's leading medical technology companies. Prior to joining Stryker in 2021, Mr. Hartmann served as Vice President – General Counsel and Corporate Secretary at Carrols Restaurant Group, Inc. (NASDAQ: TAST), one of the largest restaurant franchisees in the United States, and before that, as Vice President – Technical Compliance NAFTA for Mercedes-Benz Research & Development North America, Inc. (a Daimler company). He began his career as an associate attorney with the law firm Hale & Dorr LLP (now WilmerHale) and is a retired Colonel in the Marine Corp Reserve.

PART II

Item 5. Market for Registrant’s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

Market Information for Common Stock

Our common stock has traded on The New York Stock Exchange (“NYSE”), under the symbol “MCW” since our initial public offering in June 2021. Prior to that time, there was no public market for our common stock.

Holder of Record

As of February 15, 2023, there were 1,429 holders of record of our common stock. This number excludes stockholders whose stock is held in street name by banks, brokers and other nominees.

Dividend Policy

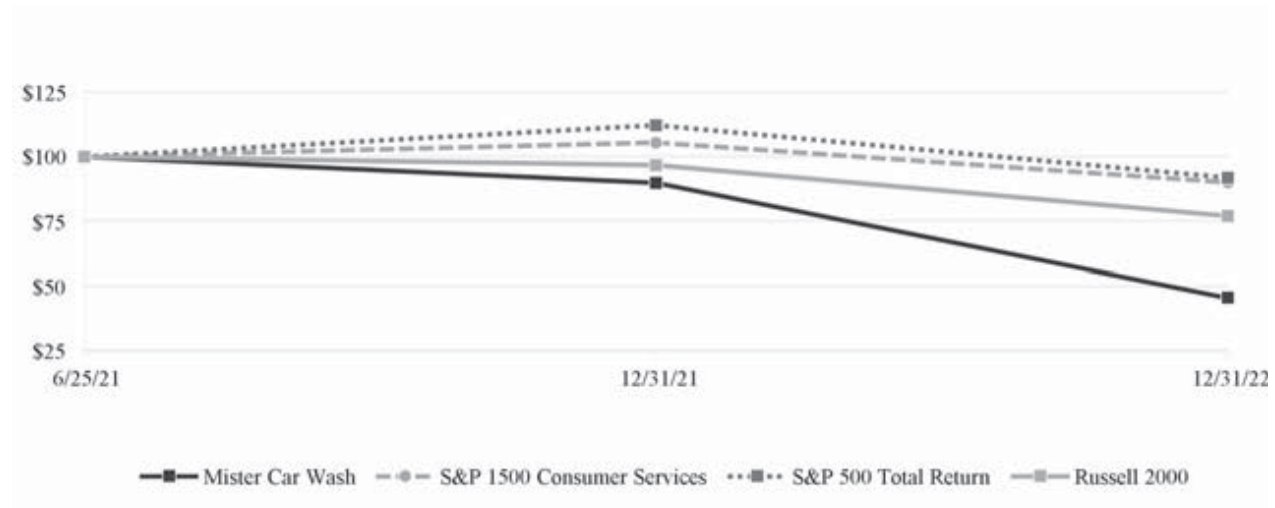
We currently intend to retain any future earnings to fund the development and expansion of our business, and, therefore, we do not anticipate paying cash dividends on our share capital in the foreseeable future. Any future determination to pay dividends will be at the discretion of our board of directors and will depend on our results of operations, financial condition, capital requirements, contractual restrictions, restrictions under our Credit Facilities and any other agreements governing our indebtedness and other factors deemed relevant by our board of directors.

Issuer Purchases of Equity Securities

During the quarter ended December 31, 2022, we did not repurchase any equity securities that were not registered under the Securities Act.

Stock Performance Graph

The following graph compares the cumulative stockholder return since June 25, 2021, the date our common stock began trading on NYSE with S&P 1500 Consumer Services Index, S&P 500 Total Return Index, and Russell 2000 Index. The graph assumes that the value of the investment in our stock and in each index was \$100 at June 25, 2021, and that all dividends were reinvested.



	6/25/21	12/31/21	12/31/22
Mister Car Wash, Inc.	\$ 100.00	\$ 90.00	\$ 45.00
S&P 1500 Consumer Services	\$ 100.00	\$ 105.00	\$ 90.00
S&P 500 Total Return	\$ 100.00	\$ 112.00	\$ 92.00
Russell 2000	\$ 100.00	\$ 97.00	\$ 76.96

Item 6. [Reserved]

Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations

You should read the following discussion and analysis of our financial condition and results of operations together with our consolidated financial statements and related notes included elsewhere in this Annual Report on Form 10-K. This discussion contains forward-looking statements based upon current plans, expectations and beliefs involving risks and uncertainties. Our actual results may differ materially from those anticipated in these forward-looking statements as a result of various factors, including those set forth under Part I, Item 1A. “Risk Factors” or in other sections of this Annual Report on Form 10-K.

Factors Affecting Our Business and Trends

We believe that our business and growth depend on a number of factors that present significant opportunities for us and may pose risks and challenges, including those discussed below and in Part I, Item 1A. “Risk Factors” included elsewhere in this Annual Report on Form 10-K.

- *Growth in comparable store sales.* Comparable store sales have been a driver of our net revenue growth and we expect it to continue to play a key role in our future growth and profitability. We will seek to continue to grow our comparable store sales by increasing the number of UWC Members, maximizing efficiency and throughput of our car wash locations, optimizing marketing spend to add new customers, and increasing customer visitation frequency.
- *Number and loyalty of UWC Members.* The UWC program is a critical element of our business. UWC Members contribute a significant portion of our net revenue and provide recurring revenue through their monthly membership fees.
- *Labor management.* Hiring and retaining skilled team members and experienced management represents one of our largest costs. We believe people are the key to our success and we have been able to successfully attract and retain engaged, high-quality team members by paying competitive wages, offering attractive benefit packages, and providing robust training and development opportunities. While the competition for skilled labor is intense and subject to high turnover, we believe our approach to wages and benefits will continue to allow us to attract suitable team members and management to support our growth.

Factors Affecting the Comparability of Our Results of Operations

Our results have been affected by, and may in the future be affected by, the following factors, which must be understood in order to assess the comparability of our period-to-period financial performance and condition.

Greenfield Location Development

Our primary historical growth strategy has involved acquiring local and regional car wash operators, upgrading the facilities and equipment, training the team to provide the “Mister Experience” and converting the site to the “Mister” brand. More recently, we have also grown through greenfield development of Mister Car Wash locations, with particular focus on Express Exterior Locations, and anticipate further pursuit of this strategy in the future. During 2022, we successfully opened a total of 28 greenfield locations, with the expectation of driving the majority of our future location growth through greenfield development. We believe such a strategy will drive a more controllable pipeline of unit growth for future locations in existing and adjacent markets.

The comparability of our results may be impacted by the inclusion of financial performance of greenfield locations that have not delivered a full fiscal year of financial results nor matured to average unit volumes, which we typically expect after approximately three full years of operation.

Business Acquisitions

In 2022, we completed four business acquisitions of 11 properties. Following acquisition, we implement a variety of operational improvements to unify branding and enhance profitability. As soon as feasible, we fully integrate and transition acquired locations to the “Mister” brand and make investments to improve site flow, upgrade tunnel equipment and technology, and install our proprietary Unity Chemical system, which is a unique blend of our signature products utilizing the newest technology and services to make a better car wash experience for our

customers. We also establish member-only lanes, optimize service offerings and implement training initiatives that we have successfully utilized to improve team member engagement and drive UWC growth post-acquisition. The costs associated with these onboarding initiatives, which vary by site, can impact the comparability of our results.

The comparability of our results may also be impacted by the inclusion of financial performance of our acquisitions that have not delivered a full fiscal year of financial results under Mister Car Wash's ownership.

Divestitures

During the years ended December 31, 2022 and December 31, 2021, we did not consummate any significant divestitures.

Key Performance Indicators

We prepare and analyze various operating and financial data to assess the performance of our business and to help in the allocation of our resources. The key operating performance and financial metrics and indicators we use are set forth below, as of and for the years ended December 31, 2022 and 2021.

(Dollars in thousands)	Year Ended December 31,	
	2022	2021
Financial and Operating Data		
Location count (end of period)	436	396
Comparable store sales growth	5%	32%
UWC Members (in thousands, end of period)	1,884	1,656
UWC sales as a percentage of total wash sales	68%	64%
Net income (loss)	\$ 112,900	\$ (22,045)
Net income (loss) margin	12.9%	(2.9)%
Adjusted EBITDA	\$ 281,646	\$ 254,348
Adjusted EBITDA margin	32.1%	33.5%

Location Count (end of period)

Our location count refers to the total number of car wash locations operating at the end of a period, inclusive of new greenfield locations, acquired locations and offset by closed locations. The total number of locations that we operate, as well as the timing of location openings, acquisitions and closings, have, and will continue to have, an impact on our performance. In fiscal year 2022, we increased our location count by 40 locations, including 28 greenfield locations and 12 business acquisition locations. One location, which was part of a 2021 acquisition, opened during the second quarter of 2022 and is included as an acquired location above. In fiscal year 2021, we increased our location count by 54 locations, including 17 greenfield locations, 37 business acquisition locations, and one asset purchase location, partially offset by one closed location.

Comparable Store Sales Growth

A location is considered a comparable store on the first day of the 13th full calendar month following a location's first day of operations. A location converted from an Interior Cleaning Location format to an Express Exterior Location format is excluded when the location did not offer interior cleaning services in the current period but did offer interior cleaning services in the prior year period. Comparable store sales growth is the percentage change in total wash sales of all comparable store car washes.

Opening new locations is a component of our growth strategy and as we continue to execute on our growth strategy, we expect that a significant portion of our sales growth will be attributable to non-comparable store sales. Accordingly, comparable store sales are only one measure we use to assess the success of our growth strategy. During 2022, comparable store sales increased 5% compared to an increase of 32% in 2021.

UWC Members (end of period)

Members of our monthly subscription service are known as Unlimited Wash Club Members, or UWC Members. We view the number of UWC Members and the growth in the number of UWC Members on a net basis from period to period as key indicators of our revenue growth. The number of UWC Members has grown over time as we have

acquired new customers and retained previously acquired customers. There were approximately 1.9 million and approximately 1.7 million UWC Members as of December 31, 2022 and 2021, respectively. Our UWC program grew by approximately 0.2 million UWC Members, or approximately 13.8%, from December 31, 2021 to December 31, 2022.

UWC Sales as a Percentage of Total Wash Sales

UWC sales as a percentage of total wash sales represent the penetration of our subscription membership program as a percentage of our overall wash sales. Total wash sales are defined as the net revenue generated from express exterior cleaning services and interior cleaning services for both UWC Members and retail customers. UWC sales as a percentage of total wash sales is calculated as sales generated from UWC Members as a percentage of total wash sales. We have consistently grown this measure over time as we educate customers as to the value of our subscription offering. UWC sales were 68% and 64% of our total wash sales for the years ended December 31, 2022, and 2021, respectively.

Adjusted EBITDA and Adjusted EBITDA Margin

Adjusted EBITDA is a non-GAAP measure of our operating performance and should not be considered as an alternative to net income as a measure of financial performance or any other performance measure derived in accordance with generally accepted accounting principles in the United States of America ("U.S. GAAP"). Adjusted EBITDA is defined as net income (loss) before interest expense, net, income tax provision (benefit), depreciation and amortization expense, (gain) loss on sale of assets, loss on extinguishment of debt, stock-based compensation expense, acquisition expenses, management fees, non-cash rent expense, expenses associated with the completion of our initial public offering in June 2021 ("the IPO"), expenses associated with the secondary public offering, and other nonrecurring charges. Adjusted EBITDA margin is defined as Adjusted EBITDA divided by net revenues for a given period.

We present Adjusted EBITDA because we believe it assists investors and analysts in comparing our operating performance across reporting periods on a consistent basis by excluding items that we do not believe are indicative of our ongoing operating performance. You are encouraged to evaluate these adjustments and the reasons we consider them appropriate for supplemental analysis. In evaluating Adjusted EBITDA, you should be aware that in the future we may incur expenses that are the same as or similar to some of the adjustments in our presentation of Adjusted EBITDA. Our presentation of Adjusted EBITDA should not be construed as an inference that our future results will be unaffected by unusual or non-recurring items. There can be no assurance that we will not modify the presentation of Adjusted EBITDA in future periods, and any such modification may be material. In addition, Adjusted EBITDA may not be comparable to similarly titled measures used by other companies in our industry or across different industries.

Our management believes Adjusted EBITDA is helpful in highlighting trends in our core operating performance compared to other measures, which can differ significantly depending on long-term strategic decisions regarding capital structure, the tax jurisdictions in which companies operate and capital investments. We also use Adjusted EBITDA in connection with establishing discretionary annual incentive compensation; to supplement U.S. GAAP measures of performance in the evaluation of the effectiveness of our business strategies; to make budgeting decisions; and because our Amended First Lien Credit Agreement (as defined below) uses measures similar to Adjusted EBITDA to measure our compliance with certain covenants.

- Adjusted EBITDA has its limitations as an analytical tool, and you should not consider it in isolation or as a substitute for analysis of our results as reported under U.S. GAAP. Some of these limitations include:
- Adjusted EBITDA does not reflect our cash expenditure or future requirements for capital expenditures or contractual commitments;
- Adjusted EBITDA does not reflect changes in our cash requirements for our working capital needs;
- Adjusted EBITDA does not reflect the interest expense and the cash requirements necessary to service interest or principal payments on our debt;
- Adjusted EBITDA does not reflect cash requirements for replacement of assets that are being depreciated and amortized;

- Adjusted EBITDA does not reflect non-cash compensation, which is a key element of our overall long-term compensation;
- Adjusted EBITDA does not reflect the impact of certain cash charges or cash receipts resulting from matters we do not find indicative of our ongoing operations; and
- other companies in our industry may calculate Adjusted EBITDA differently than we do.

Our Adjusted EBITDA was approximately \$281.6 million and \$254.3 million for the years ended December 31, 2022 and 2021, respectively. Our Adjusted EBITDA margin was 32% and 34% for the years ended December 31, 2022 and 2021, respectively. The increase experienced in the year ended December 31, 2022 compared to the prior year is primarily attributable to an increase in car wash sales due to growth in UWC Members and the year-over-year addition of 40 locations, offset by an increase in operating costs and expenses. The following is a reconciliation of our net income (loss) to Adjusted EBITDA for the periods presented.

(Dollars in thousands)	Year Ended December 31,	
	2022	2021
Reconciliation of net income (loss) to Adjusted EBITDA:		
Net income (loss)	\$ 112,900	\$ (22,045)
Interest expense, net	41,895	39,424
Income tax provision (benefit)	32,924	(25,093)
Depreciation and amortization expense	61,580	50,559
Gain on sale of assets, net (a)	(949)	(23,188)
Loss on extinguishment of debt	—	3,204
Stock-based compensation expense (b)	22,305	216,579
Acquisition expenses (c)	3,648	4,617
Management fees (d)	—	500
Non-cash rent expense (e)	2,792	1,659
Expenses associated with initial public offering (f)	272	1,599
Expenses associated with secondary public offering (g)	—	498
Other (h)	4,279	6,035
Adjusted EBITDA	<u>\$ 281,646</u>	<u>\$ 254,348</u>
Net Revenues	\$ 876,506	\$ 758,357
Adjusted EBITDA margin	32.1%	33.5%

- Consists of (gains) and losses on the disposition of assets associated with sale leaseback transactions, store closures or the sale of property and equipment.
- Represents non-cash expense associated with our share-based payments, including approximately \$201.9 million in stock-based compensation expense associated with our performance-based vesting stock options that vested on the consummation of our initial public offering in June 2021.
- Represents expenses incurred in strategic acquisitions, including professional fees for accounting and auditing services, appraisals, legal fees and financial services, one-time costs associated with supplies for rebranding the acquired stores, and distinct travel expenses for related, distinct integration efforts by team members who are not part of our dedicated integration team.
- Represents management fees paid to Leonard Green & Partners, L.P. ("LGP") in accordance with our management services agreement, which terminated on the consummation of our initial public offering in June 2021.
- Represents the difference between cash paid for rent expense and U.S. GAAP rent expense.
- Represents nonrecurring expenses associated with the consummation of our initial public offering in June 2021.
- Represents nonrecurring expenses incurred by us in connection with the secondary public offering in August 2021.
- Consists of other nonrecurring or discrete items as determined by management not to be reflective of our ongoing operating performance, such as costs associated with severance pay, non-deferred legal fees and other expenses related to credit agreement amendments, legal settlements and legal fees related to contract terminations, and nonrecurring strategic project costs.

Results of Operations

The results of operations data for the years ended December 31, 2022 and 2021 have been derived from the consolidated financial statements included elsewhere in this Annual Report on Form 10-K.

(Dollars in thousands)	Year Ended December 31,			
	2022		2021	
	Amount	% of Revenue	Amount	% of Revenue
Net revenues	\$ 876,506	100%	\$ 758,357	100%
Store operating costs:				
Cost of labor and chemicals	268,467	31%	265,171	35%
Other store operating expenses	322,414	37%	266,069	35%
General and administrative	98,855	11%	254,815	34%
Gain on sale of assets, net	(949)	(0)%	(23,188)	(3)%
Total costs and expenses	688,787	79%	762,867	101%
Operating income (loss)	187,719	21%	(4,510)	(1)%
Other expense:				
Interest expense, net	41,895	5%	39,424	5%
Loss on extinguishment of debt	—	0%	3,204	0%
Total other expense	41,895	5%	42,628	6%
Income (loss) before taxes	145,824	17%	(47,138)	(6)%
Income tax provision (benefit)	32,924	4%	(25,093)	(3)%
Net income (loss)	\$ 112,900	13%	\$ (22,045)	(3)%

Net Revenues

(Dollars in thousands)	Year Ended December 31,			
	2022	2021	\$ Change	% Change
Net revenues	\$ 876,506	\$ 758,357	\$ 118,149	16%

The increase in net revenues was primarily attributable to the increase in car wash sales due to growth in UWC Members and the year-over-year addition of 40 locations.

Store Operating Costs

Cost of Labor and Chemicals

(Dollars in thousands)	Year Ended December 31,			
	2022	2021	\$ Change	% Change
Cost of labor and chemicals	\$ 268,467	\$ 265,171	\$ 3,296	1%
Percentage of net revenues	31%	35%		

The increase in the cost of labor and chemicals is primarily driven by an increase in labor and benefits of approximately \$25.6 million and an increase in wash chemicals and supplies of approximately \$5.8 million during the year ended December 31, 2022, both attributable to an increase in volume and the year-over-year addition of 40 locations, as well as some inflationary pressures on both our labor and chemicals. The prior year period reflected the recognition of stock-based compensation expense of \$31.3 million related to our performance-based vesting stock options that vested on the consummation of our IPO in June 2021, which offset the current year increases. As a percentage of net revenues, costs of labor and chemicals for the year ended December 31, 2022 decreased by 4% due to improved labor staffing and express volume mix as compared to the prior year period, as well as the prior year period recognition of stock-based compensation expense as noted above.

Other Store Operating Expenses

(Dollars in thousands)	Year Ended December 31,		\$ Change	% Change
	2022	2021		
Other store operating expenses	\$ 322,414	\$ 266,069	\$ 56,345	21%
Percentage of net revenues	37%	35%		

The increase in other store operating expenses was attributable to the year-over-year addition of 40 locations and some inflationary pressures on our utilities and maintenance expenses. Rent expense increased approximately \$10.6 million with the addition of 44 new land and building leases.

General and Administrative

(Dollars in thousands)	Year Ended December 31,		\$ Change	% Change
	2022	2021		
General and administrative	\$ 98,855	\$ 254,815	\$ (155,960)	(61)%
Percentage of net revenues	11%	34%		

The decrease in general and administrative expenses was primarily driven by a decrease of approximately \$170.7 million in stock-based compensation costs driven by the prior year recognition of stock-based compensation expense related to the performance-based vesting stock options that vested on the consummation of our IPO in June 2021. This decrease was partially offset by an increase of approximately \$7.9 million in salaries and benefits, an increase of approximately \$4.6 million in stock-based compensation expense not related to the performance-based vesting stock options noted above and an increase of approximately \$2.1 million in other costs, which were primarily attributable to the increased costs of being a public company and the amortization of intangible assets.

Gain on Sale of Assets, net

(Dollars in thousands)	Year Ended December 31,		\$ Change	% Change
	2022	2021		
Gain on sale of assets, net	\$ (949)	\$ (23,188)	\$ 22,239	(96)%
Percentage of net revenues	(0)%	(3)%		

The gain on sale of assets, net in 2022 was primarily driven by \$8.4 million of gains associated with our sale-leaseback transactions, offset by a \$6.3 million impairment loss associated with two properties that were impaired during the fourth quarter. The gain on sale of assets, net in 2021 was primarily attributable to gains associated with our sale-leaseback transactions.

Other (Expense)

(Dollars in thousands)	Year Ended December 31,		\$ Change	% Change
	2022	2021		
Other expense	\$ 41,895	\$ 42,628	\$ (733)	(2)%
Percentage of net revenues	5%	6%		

The decrease in other expense was primarily driven by the result of no loss on extinguishment of debt in the current year, which was offset by an increase in interest expense due to higher average interest rates, an increase in borrowing levels and the expiration of our interest rate swap in October 2022, as compared to the prior year period.

Income Tax Provision (Benefit)

(Dollars in thousands)	Year Ended December 31,		\$ Change	% Change
	2022	2021		
Income tax provision (benefit)	\$ 32,924	\$ (25,093)	\$ 58,017	(231)%
Percentage of net revenues	4%	(3)%		

The increase in income tax provision in 2022 was primarily due to the Company’s income before taxes generated during the current year, as compared to loss before taxes generated in 2021. Additional income tax benefits were also recorded in 2021 related to income tax deductions related to stock option exercises, net of income tax expense related to non-deductible executive compensation.

Liquidity and Capital Resources

Funding Requirements

Our primary requirements for liquidity and capital are to fund our investments in our core business, which includes lease payments, pursue greenfield expansion, acquisitions of new locations and to service our indebtedness. Historically, these cash requirements have been met through funds raised by the sale of common equity, utilization of our Revolving Commitment, First Lien Term Loan, sale-leaseback transactions and cash provided by operations. As of December 31, 2022 and December 31, 2021, we had cash and cash equivalents of \$65.2 million and \$19.7 million, respectively, and \$148.6 million and \$149.5 million, respectively, of available borrowing capacity under our Revolving Commitment. On June 4, 2021, we entered into an amendment to our amended and restated First Lien Credit Agreement to, among other things, increase the commitments under the Revolving Commitment from \$75.0 million to \$150.0 million. In December 2021, in connection with the Clean Streak Ventures acquisition, we entered into Amendment No. 3 to Amended and Restated First Lien Credit Agreement (“Amended First Lien Credit Agreement”) increasing the principal term loan borrowings by \$290 million to \$903 million. For a description of our Credit Facilities, please see Note 9 Debt in the consolidated financial statements included elsewhere in this Annual Report on Form 10-K. As of December 31, 2022, we were in compliance with the covenants under our Credit Facilities and we expect to comply with our covenants in the next 12 months from the issuance date of the financial statements included in this Annual Report on Form 10-K.

We believe that our sources of liquidity and capital will be sufficient to finance our growth strategy and resulting operations, as well as planned capital expenditures, for the next 12 months. However, we cannot assure you that cash provided by operating activities or cash and cash equivalents will be sufficient to meet our future needs. If we are unable to generate sufficient cash flows from operations in the future, we may have to obtain additional financing. If we obtain additional capital by issuing equity, the interests of our existing stockholders will be diluted. If we incur additional indebtedness, that indebtedness may contain significant financial and other covenants that may significantly restrict our operations. We cannot assure you that we could obtain additional financing on favorable terms or at all.

Cash Flows for the Years Ended December 31, 2022 and 2021

The following table shows summary cash flow information for the periods presented:

(Dollars in thousands)	Year Ended December 31,	
	2022	2021
Net cash provided by operating activities	\$ 229,201	\$ 173,354
Net cash used in investing activities	(190,131)	(543,832)
Net cash provided by financing activities	6,294	272,462
Net change in cash and cash equivalents, and restricted cash during period	\$ 45,364	\$ (98,016)

Operating Activities. Net cash used in operating activities consists of net income (loss) adjusted for certain non-cash items, including stock-based compensation expense, depreciation of property and equipment, gains on disposal of property and equipment, amortization of leased assets and deferred income taxes, as well as the effect of changes in other working capital amounts.

For the year ended December 31, 2022, net cash provided by operating activities was \$229.2 million and was comprised of net income of \$112.9 million, increased by \$154.8 million related to non-cash adjustments, which includes \$22.3 million for stock-based compensation expense. Other non-cash adjustments included depreciation and amortization, loss on extinguishment of debt and deferred income tax. Changes in working capital decreased cash provided by operating activities by \$38.5 million, primarily due to \$42.7 million of payments towards operating lease liabilities and a decrease in prepaid expenses and other current assets of \$4.3 million. The change in other receivables was primarily driven by the collection of payroll tax withholding and exercise proceeds receivables

outstanding in the prior year, partially offset by increases in construction receivables associated with an increased number of build-to-suit arrangements and insurance receivables.

For the year ended December 31, 2021, net cash provided by operating activities was \$173.4 million and was comprised of net loss of \$22.0 million, increased by \$257.0 million related to non-cash adjustments and an increase of \$216.6 million for stock-based compensation expense. Stock-based compensation expense included \$201.9 million associated with performance vesting options which vested upon completion of the initial public offering in June 2021. Other non-cash adjustments included depreciation and amortization, loss on extinguishment of debt and deferred income tax. Changes in working capital decreased cash provided by operating activities by \$61.6 million, primarily due to \$34.3 million of payments towards operating lease liabilities, decreased other noncurrent liabilities coupled with a \$18.5 million increase in other receivables. The increase in other receivables was driven by \$8.5 million payroll tax withholding and exercise proceeds receivables, \$4.9 million of income tax receivables, and \$5.6 million of construction receivables associated with an increased number of build-to-suit arrangements.

Investing Activities. Our net cash used in investing activities primarily consists of purchases and sale of property and equipment and acquisition of car washes.

For the year ended December 31, 2022, net cash used in investing activities was \$190.1 million and was primarily comprised of purchases in property and equipment to support our greenfield and other initiatives, and the acquisition of car washes, partially offset by sale-leaseback transactions and the sale of property and equipment.

For the year ended December 31, 2021, net cash used in investing activities was \$543.8 million and was primarily comprised of purchases in property and equipment to support our greenfield and other initiatives, and the acquisition of car washes, partially offset by sale-leaseback transactions and the sale of property and equipment.

Financing Activities. Our net cash provided by financing activities primarily consists of proceeds from our initial public offering along with proceeds and payments on our long-term debt and Revolving Commitment.

For the year ended December 31, 2022, net cash provided by financing activities was \$6.3 million and was primarily comprised of proceeds from issuance of common stock under employee plans, partially offset by payments of long-term debt and finance lease obligations.

For the year ended December 31, 2021, net cash provided by financing activities was \$272.5 million and was primarily comprised of proceeds from our initial public offering and long-term debt, partially offset by payments of offering costs pursuant to initial public offering, long-term debt, and debt issuance costs.

Critical Accounting Policies and Estimates

Our consolidated financial statements have been prepared in accordance with U.S. GAAP. The preparation of these financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses and related disclosure of contingent assets and liabilities.

On an ongoing basis, we evaluate our estimates and assumptions, including those related to revenue recognition, goodwill and other intangible assets, income taxes and stock-based compensation. We base our estimates on historical experience, current developments and on various other assumptions that we believe to be reasonable under these circumstances, the results of which form the basis for making judgments about carrying values of assets and liabilities that cannot readily be determined from other sources. There can be no assurance that actual results will not differ from those estimates.

See Note 2 Summary of Significant Accounting Policies in the consolidated financial statements included elsewhere in this Annual Report on Form 10-K, for a description of our other significant accounting policies. We believe that the following critical accounting policies are affected by significant judgments and estimates used in the preparation of our consolidated financial statements.

Revenue Recognition

We recognize revenue in accordance with ASC 606, Revenue from Contracts with Customers. Under ASC 606, revenue is recognized upon transfer of control of promised services or goods to customers in an amount that reflects the consideration we expect to receive for those services or goods. We have two primary sources of revenue. First, we offer the UWC program to our customers. UWC entitles a UWC Member to unlimited washes for a monthly fee,

cancelable at any time. UWC Members are automatically charged on a credit or debit card on the same day of the month that they originally signed up. The UWC revenue is recognized ratably over the month in which it is earned and amounts unearned are recorded as deferred revenue on the consolidated balance sheets based on the date of the re-charge. Second, the revenue from car wash and, prior to 2021, quick lube services is recognized at the point in time services are rendered and the customer pays. Discounts are applied as a reduction of revenue at the time of payment.

The timing of recognition does not require significant judgment as it is based on the UWC monthly charge and deferral or the date of car wash sale, none of which require a significant amount of estimation. However, in determining the amount and timing of revenue from contracts with customers, we make judgments as to whether uncertainty as to collectability of the consideration that we are owed precludes recognition of the revenue on an accrual basis. These judgments are based on the facts specific to each circumstance. Primary factors considered include past payment history and our subjective assessment of the likelihood of receiving payment in the future.

Long-lived assets

Long-lived assets, such as property and equipment and intangible assets, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If circumstances require a long-lived asset or asset group to be tested for possible impairment, we first compare undiscounted cash flows expected to be generated by that asset or asset group to its carrying amount. If the carrying amount of the long-lived asset or asset group is not recoverable on an undiscounted cash flow basis, an impairment is recognized to the extent that the carrying amount exceeds its fair value. Fair value is determined using various valuation techniques including discounted cash flow models, quoted market values and third-party independent appraisals, as considered necessary. Approximately \$6.3 million of impairment losses associated with our long-lived assets were recognized during the year ended December 31, 2022. No impairments were recorded for the year ended December 31, 2021. See Note 4 for additional information.

Goodwill

Goodwill represents the excess of cost over the fair value of the net tangible and identifiable intangible assets acquired in a business combination. Goodwill is tested for impairment at the reporting unit level annually on October 31 or more frequently if events or changes in circumstances indicate that the asset may be impaired. We first assess qualitative factors to determine whether events or circumstances existed that would lead us to conclude it is more likely than not that the fair value of the reporting unit is below its carrying amount. If we determine that it is more likely than not that the fair value of the reporting unit is below the carrying amount, a quantitative goodwill assessment is required. In the quantitative evaluation, the fair value of the reporting unit is determined and compared to the carrying value. If the fair value is greater than the carrying value, then the carrying value is deemed to be recoverable and no further action is required. If the fair value estimate is less than the carrying value, goodwill is considered impaired for the amount by which the carrying amount exceeds the reporting unit's fair value and a charge is reported as impairment of goodwill in our consolidated statements of operations and comprehensive income (loss). No impairment losses associated with our goodwill were recognized during the years ended December 31, 2022, and December 31, 2021.

Income Taxes

We account for income taxes in accordance with ASC 740, *Income Taxes*. Under this method, deferred tax assets and liabilities are determined based on the temporary differences between the financial statement and tax bases of assets and liabilities using enacted tax rates in effect for the year in which the differences are expected to reverse. We classify all deferred income tax assets and liabilities as noncurrent on our balance sheet. The effect of a change in tax rates on deferred tax assets and liabilities is recognized within the provision for (benefit from) income taxes on the consolidated statement of operations and comprehensive income (loss) in the period that includes the enactment date.

We reduce deferred tax assets, if necessary, by a valuation allowance if it is more likely than not that we will not realize some or all of the deferred tax assets. In making such a determination, we consider all available positive and negative evidence, including taxable income in prior carryback years (if carryback is permitted under the relevant tax law), the timing of the reversal of existing taxable temporary differences, tax planning strategies and projected future taxable income. We believe it is more likely than not that our federal deferred tax assets will be realized in the

future based primarily on the timing and reversal of existing taxable temporary differences in that jurisdiction. However, we determined that an amount of our state deferred tax assets is not more likely than not to be realized in the future based primarily on prior years' cumulative financial results in one state jurisdiction and such state's currently enacted legislation. Refer to Note 8 Income Taxes in our consolidated financial statements and for additional information on the composition of these valuation allowances and for information on the impact of U.S. tax reform legislation.

We file income tax returns in the U.S. federal and state jurisdictions and believe our accrual for tax liabilities is adequate for all open audit years based on many factors including past experience and interpretations of tax law. We recognize the tax benefit from an uncertain tax position if we believe it is more likely than not that the tax position will be sustained, in a court of last resort, based on the technical merits of the position. This assessment relies on estimates and assumptions and any changes in the recognition or measurement of these benefits or liabilities are reflected in the period in which the change in judgment occurs.

We recognize interest and penalties related to uncertain tax positions within income tax provision (benefit) on our consolidated statement of operations and comprehensive income (loss).

Stock-Based Compensation

Stock-based compensation represents the cost related to stock-based awards granted to employees. We measure stock-based compensation cost at grant date, based upon the estimated fair value of the award, and recognize cost as expense using the accelerate attribution method over the employee requisite service period. We estimate the fair value of stock options using Black-Scholes and Monte Carlo option models. We estimate the fair value of stock purchase rights using a Black-Scholes option-pricing model. Restricted stock units are classified as equity and measured at the fair market value of the underlying stock at the grant date. Upon termination unvested time and performance-based options, stock-purchase rights, and restricted stock units are forfeited. We have made a policy election to estimate the number of stock-based compensation awards that are expected to vest to determine the amount of compensation expense recognized in earnings. Forfeiture estimates are revised if subsequent information indicates that the actual number of forfeitures is likely to differ from previous estimates.

We record deferred tax assets for awards that result in deductions in our income tax returns, based upon the amount of compensation cost recognized and our statutory tax rate. The tax effect of differences between the compensation cost of an award recognized for financial reporting purposes and the deduction for an award for tax purposes is recognized as an income tax expense or benefit in the consolidated statements of operations and comprehensive income (loss) in the period in which the tax deduction arises.

Recent Accounting Pronouncements

See the sections titled “Summary of Significant Accounting Policies—Recent Accounting Pronouncements” and “—Recently issued accounting pronouncements not yet adopted” in Note 2 to our consolidated financial statements included elsewhere in this Annual Report on Form 10-K.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

We are exposed to market risk from changes in interest rates and inflation. All these market risks arise in the normal course of business, as we do not engage in speculative trading activities. The following analysis provides quantitative information regarding these risks.

Interest Rate Risk

Our First Lien Term Loan bears interest at variable rates, which exposes us to market risks relating to changes in interest rates. Interest rate risk is highly sensitive due to many factors, including U.S. monetary and tax policies, U.S. and international economic factors and other factors beyond our control. As of December 31, 2022, we had \$901.2 million of variable-rate debt outstanding under our First Lien Term Loan. As of December 31, 2021, we had \$903.3 million of variable-rate debt outstanding under our First Lien Term Loan. Based on the balance outstanding under our First Lien Term Loan as of December 31, 2022, an increase or decrease of 100 basis points in the effective interest rate on the First Lien Term Loan would cause an increase or decrease in interest expense of approximately \$9 million over the next 12 months.

In May 2020, we entered into an interest rate swap to mitigate variability in forecasted interest payments on an amortizing notional of \$550.0 million of our variable-rate First Lien Term Loan. We designated the interest rate swap as a pay-fixed, receive-floating interest rate swap instrument and are accounting for this derivative as a cash flow hedge. This interest rate swap matured on October 20, 2022 and no new swap was entered into. See Note 11 for additional information.

Impact of Inflation

Our results of operations and financial condition are presented based on historical cost. While it is difficult to accurately measure the impact of inflation due to the imprecise nature of the estimates required, we have recently experienced the effects of inflation on our results of operations and financial condition. In light of the current inflationary market conditions, we cannot assure you that our results of operations and financial condition will not be materially impacted by inflation in the future.

Item 8. Financial Statements and Supplementary Data

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the stockholders and the Board of Directors of Mister Car Wash, Inc.:

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Mister Car Wash, Inc. and subsidiaries (the "Company") as of December 31, 2022 and 2021, the related consolidated statements of operations and comprehensive income (loss), stockholders' equity (deficit), and cash flows, for each of the three years in the period ended December 31, 2022, and the related notes (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2022 and 2021, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2022, in conformity with accounting principles generally accepted in the United States of America.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of December 31, 2022, based on criteria established in Internal Control — Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated February 24, 2023, expressed an unqualified opinion on the Company's internal control over financial reporting.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matter

The critical audit matter communicated below is a matter arising from the current-period audit of the financial statements that was communicated or required to be communicated to the audit committee and that (1) relates to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

Revenues — Refer to Note 2 to the financial statements

Critical Audit Matter Description

The Company recognizes revenues in two streams: (1) revenues recognized over time with their subscription membership Unlimited Wash Club ("UWC") program which entitles the customer to unlimited washes for a monthly fee, cancellable at any time, and (2) revenues recognized at a point in time from car washes. The Company's revenue recognition process utilizes point-of-sale systems for the initiating, processing, and recording of

transactions. Given the Company's high volume of individually low monetary value transactions, performing audit procedures to test revenues required significant audit effort, including the involvement of data analytics specialists.

How the Critical Audit Matter Was Addressed in the Audit

Our audit procedures related to revenues included the following, among others:

- We tested the operating effectiveness of internal controls over the Company's accounting for revenues.
- With the assistance of our data analytics specialists, we extracted journal entries to analyze the Company's revenue transactions.
- We reconciled recorded revenues and credit card receivables to cash receipts per the bank.
- We selected a sample of revenue transactions and agreed the amounts recognized to source documents, then tested the mathematical accuracy and the timing of the recorded revenues.
- We developed an independent expectation of deferred revenue and compared it to the recorded balance.

/s/ Deloitte & Touche LLP

Tempe, Arizona
February 24, 2023

We have served as the Company's auditor since 2018.

Mister Car Wash, Inc.
Consolidated Balance Sheets

<i>(Amounts in thousands, except share and per share data)</i>	As of	
	December 31, 2022	December 31, 2021
Assets		
Current assets:		
Cash and cash equivalents	\$ 65,152	\$ 19,738
Restricted cash	70	120
Accounts receivable, net	3,941	1,090
Other receivables	15,182	22,796
Inventory, net	9,174	6,334
Prepaid expenses and other current assets	12,618	8,766
Total current assets	106,137	58,844
Property and equipment, net	560,874	472,448
Operating lease right of use assets, net	776,689	718,533
Other intangible assets, net	123,615	129,820
Goodwill	1,109,815	1,060,221
Other assets	9,102	8,236
Total assets	\$ 2,686,232	\$ 2,448,102
Liabilities and stockholders' equity		
Current liabilities:		
Accounts payable	\$ 25,649	\$ 27,346
Accrued payroll and related expenses	17,218	16,963
Other accrued expenses	41,196	20,201
Current maturities of operating lease liability	40,367	37,345
Current maturities of finance lease liability	668	559
Deferred revenue	29,395	27,815
Total current liabilities	154,493	130,229
Long-term portion of debt, net	895,830	896,336
Operating lease liability	759,775	717,552
Financing lease liability	14,779	15,359
Long-term deferred tax liability	53,395	22,603
Other long-term liabilities	6,832	8,871
Total liabilities	1,885,104	1,790,950
Stockholders' equity:		
Common stock, \$0.01 par value, 1,000,000,000 shares authorized, 306,626,530 and 300,120,451 shares outstanding as of December 31, 2022 and December 31, 2021, respectively	3,072	3,007
Additional paid-in capital	783,579	752,343
Accumulated other comprehensive income	—	225
Retained earnings (accumulated deficit)	14,477	(98,423)
Total stockholders' equity	801,128	657,152
Total liabilities and stockholders' equity	\$ 2,686,232	\$ 2,448,102

See accompanying notes to consolidated financial statements.

Mister Car Wash, Inc.
Consolidated Statements of Operations and Comprehensive Income (Loss)

<i>(Amounts in thousands, except share and per share data)</i>	Year Ended December 31,		
	2022	2021	2020
Net revenues	\$ 876,506	\$ 758,357	\$ 574,941
Cost of labor and chemicals	268,467	265,171	193,971
Other store operating expenses	322,414	266,069	224,419
General and administrative	98,855	254,815	51,341
Gain on sale of assets, net	(949)	(23,188)	(37,888)
Total costs and expenses	688,787	762,867	431,843
Operating income (loss)	187,719	(4,510)	143,098
Other expense:			
Interest expense, net	41,895	39,424	64,009
Loss on extinguishment of debt	—	3,204	1,918
Total other expense	41,895	42,628	65,927
Income (loss) before taxes	145,824	(47,138)	77,171
Income tax provision (benefit)	32,924	(25,093)	16,768
Net income (loss)	\$ 112,900	\$ (22,045)	\$ 60,403
Other comprehensive income (loss), net of tax:			
Gain (loss) on interest rate swap	—	1,342	(1,117)
Total comprehensive income (loss)	\$ 112,900	\$ (20,703)	\$ 59,286
Net income (loss) per share:			
Basic	\$ 0.37	\$ (0.08)	\$ 0.23
Diluted	\$ 0.34	\$ (0.08)	\$ 0.22
Weighted-average common shares outstanding:			
Basic	303,372,095	280,215,579	261,773,267
Diluted	327,560,407	280,215,579	275,920,367

See accompanying notes to consolidated financial statements.

Mister Car Wash, Inc.
Consolidated Statements of Cash Flows

(Amounts in thousands)	Year Ended December 31,		
	2022	2021	2020
Cash flows from operating activities:			
Net income (loss)	\$ 112,900	\$ (22,045)	\$ 60,403
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Depreciation and amortization expense	61,580	50,559	45,289
Stock-based compensation expense	22,305	216,579	1,493
Gain on sale of assets, net	(949)	(23,188)	(37,888)
Loss on extinguishment of debt	—	3,204	1,918
Amortization of deferred debt issuance costs	1,698	1,155	1,139
Non-cash lease expense	41,099	36,005	34,280
Non-cash interest income	(302)	—	—
Deferred income tax	29,382	(27,330)	21,640
Changes in assets and liabilities:			
Accounts receivable, net	(2,668)	540	1,031
Other receivables	7,640	(17,956)	(742)
Inventory, net	(2,661)	540	935
Prepaid expenses and other current assets	(4,324)	(3,531)	(58)
Accounts payable	5,633	1,827	(2,813)
Accrued expenses	2,387	(6,336)	4,844
Deferred revenue	1,129	1,697	(4,297)
Operating lease liability	(42,637)	(34,266)	(30,784)
Other noncurrent assets and liabilities	(3,011)	(4,100)	5,456
Net cash provided by operating activities	\$ 229,201	\$ 173,354	\$ 101,846
Cash flows from investing activities:			
Purchases of property and equipment	(191,615)	(125,764)	(58,744)
Acquisition of car wash operations, net of cash	(86,703)	(514,003)	(33,584)
Proceeds from sale of property and equipment	88,187	95,935	23,589
Proceeds from sale of Oil Change Express	—	—	55,386
Net cash used in investing activities	\$ (190,131)	\$ (543,832)	\$ (13,353)
Cash flows from financing activities:			
Proceeds from issuance of common stock pursuant to initial public offering	—	468,750	—
Proceeds from issuance of common stock under employee plans	8,971	4,972	46
Payments for repurchases of common stock	—	(308)	(372)
Proceeds from secondary public offering for employee tax withholdings	—	20,859	—
Tax withholdings paid on behalf of employees for secondary public offering	—	(20,859)	—
Proceeds from debt borrowings	—	290,000	45,625
Proceeds from revolving line of credit	—	—	111,681
Payments on debt borrowings	(2,100)	(456,972)	(8,400)
Payments on revolving line of credit	—	—	(125,681)
Payments of debt extinguishment costs	—	(28)	—
Payments of deferred debt issuance costs	—	(4,263)	—
Principal payments on finance lease obligations	(577)	(495)	(223)
Payments of issuance costs pursuant to initial public offering	—	(29,194)	—
Net cash provided by financing activities	\$ 6,294	\$ 272,462	\$ 22,676
Net change in cash and cash equivalents, and restricted cash during period	45,364	(98,016)	111,169
Cash and cash equivalents, and restricted cash at beginning of period	19,858	117,874	6,705
Cash and cash equivalents, and restricted cash at end of period	\$ 65,222	\$ 19,858	\$ 117,874
Supplemental disclosure of cash flow information:			
Cash paid for interest	\$ 40,605	\$ 39,126	\$ 56,669
Cash paid for income taxes	\$ 2,221	\$ 8,889	\$ (7,437)
Supplemental disclosure of non-cash investing and financing activities:			
Property and equipment in accounts payable	\$ 9,816	\$ 17,280	\$ 16,625
Property and equipment accrued in other accrued expenses	\$ 18,772	\$ -	\$ -
Stock option exercise proceeds in other receivables	\$ 25	\$ 582	\$ -
Non-cash property and equipment additions from financing obligations	\$ -	\$ -	\$ 15,597

See accompanying notes to consolidated financial statements.

Mister Car Wash, Inc.
Consolidated Statements of Stockholders' Equity (Deficit)

	Common Stock		Additional Paid-in Capital	Accumulated Other Comprehensive Income (Loss)	Retained Earnings (Accumulated Deficit)	Stockholders' Equity (Deficit)
	Shares	Amount				
<i>(Amounts in thousands, except share and per share data)</i>						
Balance as of December 31, 2019	261,749,196	\$ 2,620	\$ 90,358	\$ —	\$ (156,580)	\$ (63,602)
Adoption of new accounting standards, net of tax	—	—	—	—	19,798	19,798
Stock-based compensation expense	—	—	1,493	—	—	1,493
Issuance of common stock under employee plans	184,650	2	44	—	—	46
Shares repurchased	(26,224)	—	(372)	—	—	(372)
Loss on interest rate swap	—	—	—	(1,117)	—	(1,117)
Net income	—	—	—	—	60,403	60,403
Balance as of December 31, 2020	261,907,622	\$ 2,622	\$ 91,523	\$ (1,117)	\$ (76,378)	\$ 16,650
Issuance of common stock pursuant to initial public offering, net of issuance costs of \$29,194	31,250,000	313	439,243	—	—	439,556
Stock-based compensation expense	—	—	216,579	—	—	216,579
Vesting of restricted stock units	7,680	—	—	—	—	—
Issuance of common stock under employee plans	7,289,354	72	7,758	—	—	7,830
Shares repurchased	(334,205)	—	(2,760)	—	—	(2,760)
Gain on interest rate swap	—	—	—	1,342	—	1,342
Net loss	—	—	—	—	(22,045)	(22,045)
Balance as of December 31, 2021	300,120,451	\$ 3,007	\$ 752,343	\$ 225	\$ (98,423)	\$ 657,152
Stock-based compensation expense	—	—	22,305	—	—	22,305
Issuance of common stock under employee plans	463,038	4	4,219	—	—	4,223
Vesting of restricted stock units	517,422	6	(6)	—	—	—
Exercise of stock options	5,525,619	55	4,718	—	—	4,773
Change in interest rate swap	—	—	—	(225)	—	(225)
Net income	—	—	—	—	112,900	112,900
Balance as of December 31, 2022	<u>306,626,530</u>	<u>\$ 3,072</u>	<u>\$ 783,579</u>	<u>\$ —</u>	<u>\$ 14,477</u>	<u>\$ 801,128</u>

See accompanying notes to consolidated financial statements.

Mister Car Wash, Inc.
Notes to Consolidated Financial Statements
(Dollar amounts in thousands, except per share data)

1. Nature of Business

Mister Car Wash, Inc., together with its subsidiaries (collectively, the "Company"), is a Delaware corporation based in Tucson, Arizona and provider of conveyORIZED car wash services. The Company operates two location formats: Express Exterior Locations, which offer express exterior cleaning services, and Interior Cleaning Locations, which offer both express exterior cleaning services and interior cleaning services. As of December 31, 2022, the Company operated 436 car washes in 21 states. As of December 31, 2021, the Company operated 396 car washes in 21 states.

Beginning the end of March 2020 through the first part of April 2020, to ensure the safety of its team members and customers and in compliance with local regulations, the Company temporarily suspended operations at more than 300 of its locations due to the COVID-19 pandemic. During this period, safety protocols were upgraded, and we modified the operating model by temporarily removing all interior cleaning services from locations offering those services. The washes were closed for, on average, 34 days. As the Company opened washes, only exterior cleaning services were offered until July 2020 when interior clean services became available at select locations. In August 2020, all Interior Cleaning Locations were offering interior cleaning services again.

As a result of the temporary suspension of operations, the Company furloughed approximately 5,500 team members, reduced the pay for the remaining team members and amended nearly all leases to allow for up to three months of rent deferrals. None of the amendments resulted in remeasurements. As of December 31, 2022 and 2021, respectively, all back pay for reduced salaries and deferred lease payments had been repaid.

Forward Stock Split

In June 2021, the Company's board of directors (the "Board") and the stockholders of the Company approved a 96-for-1 forward stock split of the Company's outstanding common stock, which was effected on June 16, 2021. All common stock and per share information has been retroactively adjusted to give effect to this forward stock split for all periods presented. Shares of common stock underlying outstanding stock options and other equity instruments were proportionately increased and the respective per share value and exercise prices, if applicable, were proportionately decreased in accordance with the terms of the agreements governing such securities. There were no changes to the par value per share of the Company's common stock as a result of the forward stock split. Additionally, the Board and the stockholders of the Company approved an increase in the authorized shares of common stock to 1,000,000,000 shares.

Initial Public Offering

In June 2021, the Company completed its initial public offering ("IPO") of 43,125,000 shares of common stock at a public offering price of \$15.00 per share. The Company sold 31,250,000 shares of common stock and the selling stockholders identified in the Company's final prospectus that forms a part of the Company's Registration Statement on Form S-1 (File No. 333-256697), filed with the SEC pursuant to Rule 424(b)(4) on June 28, 2021 (the "Prospectus"), sold an aggregate amount of 11,875,000 shares of common stock, which selling stockholder amount included the underwriters' option to purchase up to an additional 5,625,000 shares of common stock. The Company received gross proceeds of approximately \$468,750 before deducting underwriting discounts, commissions and offering related issuance costs; the Company did not receive any proceeds from the sale of shares by the selling stockholders. The consolidated financial statements as of December 31, 2022, including share and per share amounts, include the effects of the IPO.

Secondary Public Offering

In August 2021, the Company completed a secondary public offering of 12,000,000 shares of common stock sold by the selling stockholders identified in the Company's final prospectus that forms a part of the Company's Registration Statement on Form S-1 (File No. 333-258186), filed with the SEC pursuant to Rule 424(b)(5) on August 24, 2021. The Company did not receive any proceeds from the sale of shares by the selling stockholders, and the Company incurred \$498 of expenses in connection with the secondary public offering, which were recorded in general and administrative expenses in the consolidated statements of operations and comprehensive income (loss).

2. Summary of Significant Accounting Policies

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of the Company. All material intercompany balances and transactions have been eliminated in consolidation.

Segment Disclosure

The Company determined that there is one reportable segment, with activities related to providing car wash services. The car wash locations are geographically diversified and have similar economic characteristics and nature of services. The Company's Chief Operating Decision Maker ("CODM") is the Chief Executive Officer.

Use of Estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America ("U.S. GAAP") requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenue and expenses during the periods reported. Some of the significant estimates that the Company has made pertain to the determination of deferred tax assets and liabilities; estimates utilized to determine the fair value of assets acquired and liabilities assumed in business combinations and the related goodwill and intangibles; and certain assumptions used related to the evaluation of goodwill, intangibles, and property and equipment asset impairment. Actual results could differ from those estimates.

Cash and Cash Equivalents, and Restricted Cash

The Company considers all highly liquid investments with original maturities of three months or less to be cash equivalents. The Company places its temporary cash investments with high credit quality financial institutions. At times, such investments may exceed federally insured limits; however, management does not believe the Company is exposed to any significant credit risk on counter party cash and cash equivalents.

At December 31, 2022 and 2021, the Company had \$70 and \$120, respectively, in restricted cash set aside for the funding of various maintenance expenses.

Accounts Receivable, Net

Accounts receivable include amounts due for consumer credit card sales and other trade accounts receivable. Management determines the allowance for doubtful accounts and writes off trade receivables when deemed uncollectible on a specific customer identification basis. Recoveries of trade receivables previously written off are recorded when received. Accounts receivable are presented net of an allowance for doubtful accounts of \$76 and \$70 at December 31, 2022 and 2021, respectively. The activity in the allowance for doubtful accounts was immaterial for the years ended December 31, 2022, 2021 and 2020.

Other Receivables

Other receivables consist primarily of payroll tax withholding and exercise proceeds receivables, construction receivables and insurance receivable from non-healthcare related insurance claims.

The Company records payroll tax withholding and exercise proceeds receivable for amounts due to the Company from a third-party broker for amounts used to cover tax liability and exercise proceeds resulting from employee exercises of share-based payment awards.

For certain build-to-suit lease arrangements, the Company is responsible for the construction of a lessor owned facility using our designs. As construction occurs, the Company will recognize a construction receivable on the Company's consolidated balance sheets due from the lessor. To the extent costs exceed the amount to be reimbursed by the lessor, the Company will consider such costs prepaid rent, which are added to the associated operating lease right of use asset once the lease commences.

The Company carries a broad range of insurance coverage, including general and business auto liability, commercial property, workers' compensation, cyber risk, and general umbrella policies. The Company will record receivables from its non-healthcare insurance carriers related to these insurance claims, which are included in other receivables. The receivables are paid when the claim is finalized and the reserved amounts on these claims are expected to be paid within one year.

	As of	
	December 31, 2022	December 31, 2021
Payroll tax withholding and exercise proceeds receivable	\$ 273	\$ 8,477
Construction receivable	6,199	5,574
Income tax receivable	4,387	4,935
Insurance receivable	2,627	2,594
Other	1,696	1,216
Total other receivables	<u>\$ 15,182</u>	<u>\$ 22,796</u>

Inventory, Net

Inventory, net consists primarily of chemical washing solutions and is stated at the lower of cost or net realizable value using the average cost method. The activity in the reserve for obsolescence accounts was immaterial for the years ended December 31, 2022, 2021 and 2020.

Inventory for the periods presented is as follows:

	As of	
	December 31, 2022	December 31, 2021
Chemical washing solutions	\$ 9,357	\$ 6,406
Other	—	52
Total inventory, gross	9,357	6,458
Reserve for obsolescence	(183)	(124)
Total inventory, net	<u>\$ 9,174</u>	<u>\$ 6,334</u>

Property and Equipment, Net

Property and equipment purchased are stated at cost less accumulated depreciation. Assets acquired in business combinations are recorded at fair value. Depreciation and amortization are recorded using the straight-line method over the estimated useful lives of the property or related lease term. Amortization of assets under finance leases is included in depreciation expense. Estimated useful lives range from 10 to 40 years for buildings and leasehold improvements, and from 3 to 7 years for machinery and equipment.

Expenditures for repairs and maintenance are charged to expense as incurred. Expenditures for major renewals and betterments that extend the useful lives of existing equipment are capitalized.

For items that are disposed of, the cost and related accumulated depreciation are removed from the accounts and any resulting gain or loss is recognized as (gain) loss on sale of assets, net in the accompanying consolidated statements of operations and comprehensive income (loss).

The Company periodically reviews the carrying value of long-lived assets held and used for possible impairment when events and circumstances warrant such a review.

Other Intangible Assets, Net and Goodwill

The Company classifies intangible assets into three categories: (1) intangible assets with definite lives subject to amortization, (2) intangible assets with indefinite lives not subject to amortization and (3) goodwill. The Company determines the useful lives of its identifiable intangible assets after considering the specific facts and circumstances related to each intangible asset. The Company considers the following factors when determining useful lives: the contractual term of any agreement related to the asset, the historical performance of the asset, the Company's long-term strategy for using the asset, any laws or other local regulations which could impact the useful life of the asset, and other economic factors, including competition and specific market conditions.

Intangible assets that are deemed to have definite lives are amortized, primarily on a straight-line basis, over their useful lives, generally ranging from 2 to 10 years. When facts and circumstances indicate that the carrying value of definite-lived intangible assets may not be recoverable, management assesses the recoverability of the carrying value by preparing estimates of sales volume and the resulting profit and cash flows expected to result from the use of the asset or asset group and its eventual disposition. If the sum of the expected future cash flows (undiscounted and without interest charges) is less than the carrying amount, the Company recognizes an impairment loss. The impairment loss recognized is the amount by which the carrying amount of the asset or asset group exceeds the fair value. The Company uses a variety of methodologies to determine the fair value of these assets, including discounted cash flow models, which are consistent with the assumptions hypothetical marketplace participants would use.

The Company tests intangible assets determined to have indefinite useful lives, including trade names and trademarks, for impairment annually, or more frequently if events or circumstances indicate that assets might be impaired. The Company uses a variety of methodologies in conducting impairment assessments of indefinite-lived intangible assets, including, but not limited to, discounted cash flow models, which are based on the assumptions the Company believes hypothetical marketplace participants would use. For indefinite-lived intangible assets, other than goodwill, if the carrying amount exceeds the fair value, an impairment charge is recognized in an amount equal to that excess. The Company has the option to perform a qualitative assessment of indefinite-lived intangible assets, other than goodwill, rather than completing the impairment test. The Company must assess whether it is more likely than not that the fair value of the intangible asset is less than its carrying amount. If the Company concludes that this is the case, it must perform the testing described above. Otherwise, the Company does not need to perform any further assessment. The Company completed its indefinite-life intangible asset impairment analysis as of October 31, 2022 and 2021 and concluded that it was not more likely than not that the carrying value of the asset may not be recoverable.

The Company evaluates its goodwill for impairment at the reporting unit-level on an annual basis (or more frequently if events or circumstances indicate that the related carrying amount may be impaired). The Company evaluates qualitative factors to determine if performing the quantitative impairment test is required. If it is determined that it is more likely than not, as defined in the guidance, that the carrying value is less than the fair value, the potential for goodwill impairment is evaluated and the amount of impairment loss, if any, is measured and recognized. If the Company determines that it is not more likely than not that the carrying value is less than the fair value, no further evaluation is performed. The Company completed its goodwill impairment test as of October 31, 2022 and 2021 and concluded that it is not more likely than not that the carrying value is less than the fair value, and therefore, no further evaluation was performed.

The Company allocated \$16,191 of goodwill to the quick lube facilities disposed of on December 11, 2020. See Note 17 Dispositions for additional information.

Deferred Debt Issuance Costs

Debt issuance costs related to a recognized debt liability are presented in the consolidated balance sheets as a direct deduction from the carrying value of the related liability except for debt issuance costs related to the Company's Revolving Commitment arrangement. In the case of the line-of-credit arrangement, regardless of whether there are

any outstanding borrowings on the line-of-credit arrangement, related debt issuance costs are presented in Other assets in the accompanying consolidated balance sheets.

The direct costs associated with the funding of long-term debt are amortized to interest expense over the term of the applicable loan.

Derivative Financial Instruments

The Company has a pay fixed, receive variable interest rate swap contract (“Swap”) to manage its exposure to changes in interest rates. The Swap is recognized in the consolidated balance sheets at fair value. The Swap is a cash flow hedge and is recorded using hedge accounting, as such, changes in the fair value of the Swap are recorded in Other comprehensive income (loss), net of tax until the hedged item is recognized in earnings. Amounts reported in Other comprehensive income (loss), net of tax related to the Swap are reclassified to interest expense as interest payments are made on the Company’s variable-rate debt. The Swap matured on October 20, 2022.

The Company assesses, both at the inception of the hedge and on an ongoing basis, whether the derivative used as a hedging instrument is highly effective in offsetting the changes in the cash flow of the hedged item. If it is determined that the derivative is not highly effective as a hedge or ceases to be highly effective, the Company will discontinue hedge accounting prospectively. See Note 10 Fair Value Measurements and Note 11 Interest Rate Swap for additional information.

Leases

The Company determines if a contract contains a lease at inception. The Company’s material operating leases consist of car wash locations, warehouses and office space. U.S. GAAP requires that the Company’s leases be evaluated and classified as operating or finance leases for financial reporting purposes. The classification evaluation begins at the commencement date, and the lease term used in the evaluation includes the non-cancelable period for which the Company has the right to use the underlying asset, together with renewal option periods when the exercise of the renewal option is reasonably certain and failure to exercise such option would result in an economic penalty. Nearly all of the Company’s car wash and office space leases are classified as operating leases.

The Company disburses cash for leasehold improvements, furniture and fixtures and equipment to build out and equip the Company’s leased premises. Tenant improvement allowance incentives may be available to partially offset the cost of developing and opening the related car washes, pursuant to agreed-upon terms in the respective lease agreements. Tenant improvement allowances can take the form of cash payments upon the opening of the related car washes, full or partial credits against rents otherwise payable by the Company, or a combination thereof. All tenant improvement allowances received by the Company are recorded as a contra operating lease right of use asset and amortized over the term of the lease.

The lease term used for straight-line rent expense is calculated from the commencement date (the date the Company takes possession of the premises) through the lease termination date (including any options where exercise is reasonably certain and failure to exercise such option would result in an economic penalty). The initial lease term of the Company’s operating leases ranges from 6 to 50 years. The Company records rent expense on a straight-line basis beginning on the lease commencement date.

Maintenance, insurance and property tax expenses are generally accounted for on an accrual basis as variable lease costs. The Company recognizes variable lease cost for operating leases in the period when changes in facts and circumstances on which the variable lease payments are based occur. All operating lease rent expense is included in equipment and facilities or general and administrative expense on the consolidated statements of operations and comprehensive income (loss).

The Company records a lease liability for its operating leases equal to the present value of future payments discounted at the estimated fully collateralized incremental borrowing rate (discount rate) corresponding with the lease term as the rate implicit in the Company’s leases is not readily determinable. The Company’s operating lease liability calculation is the total rent payable during the lease term, including rent escalations in which the amount of

future rent is certain or fixed on the straight-line basis over the term of the lease (including any rent holiday period beginning upon the Company's possession of the premises, and any fixed payments stated in the lease). A corresponding operating lease asset is also recorded equaling the initial amount of the operating lease liability, plus any lease payments made to the lessor before or at the lease commencement date and any initial direct costs incurred, less any lease incentives received. The difference between the minimum rents paid and the straight-line rent is reflected within the associated operating lease right of use asset.

The Company's lease agreements do not contain any material residual value guarantees or material restrictive covenants. Additionally, the Company does not enter into lease transactions with related parties.

The Company makes judgments regarding the reasonably certain lease term for each car wash property lease, which can impact the classification and accounting for a lease as finance or operating and/or escalations in payments that are taken into consideration when calculating straight-line rent, and the term over which leasehold improvements for each car wash are amortized. These judgments may produce materially different amounts of depreciation, amortization and rent expense than would be reported if different assumed lease terms were used.

Revenue Recognition

The Company uses a five-step model to recognize revenue from customer contracts under ASC 606, *Revenue from Contracts with Customers* (ASC 606). The five-step model requires that the Company (i) identify the contract with the customer, (ii) identify the performance obligations in the contract, (iii) determine the transaction price, including variable consideration to the extent that it is probable that a significant future reversal will not occur, (iv) allocate the transaction price to the respective performance obligations in the contract, and (v) recognize revenue when (or as) the Company satisfies the performance obligation.

The Company recognizes revenue in two main streams. First, the Company offers an Unlimited Wash Club ("UWC") program to its customers. The UWC program entitles the customer to unlimited washes for a monthly fee, cancelable at any time. The customer and the Company enter into a contract that falls under the definition of a customer contract under ASC 606. Customers are automatically charged on a credit or debit card on the same day of the month that they originally signed up. The Company's performance obligations is to provide unlimited car wash services for a monthly fee. The UWC revenue is recognized ratably daily over the month in which it is earned and amounts unearned are recorded as deferred revenue on the consolidated balance sheets. Accounts receivable, net and deferred revenue as of January 1, 2020 were \$5,125 and \$21,258, respectively. All amounts recorded as deferred revenue at year end are recognized as revenue in the following year. Second, revenue from car wash and, prior to 2021, quick lube services are recognized at the point in time services are rendered and the customer pays with cash or credit. Revenues are net of sales tax, refunds and discounts applied as a reduction of revenue at the time of payment.

The following table summarizes the composition of the Company's net revenues for the periods presented:

	Year Ended December 31,		
	2022	2021	2020
Recognized over time	\$ 593,067	\$ 486,580	\$ 339,836
Recognized at a point in time	282,424	268,981	232,210
Other revenue	1,015	2,796	2,895
Net revenues	<u>\$ 876,506</u>	<u>\$ 758,357</u>	<u>\$ 574,941</u>

The Company promotes and sells a limited number of prepaid products, which include discounted car wash packages and gift cards that are not material to the financial statements. The Company records the sale of these items as deferred revenue, which is reduced for estimated breakage, which is not material to the financial statements. Revenue is recognized based on the terms of the packages and when the prepaid packages or gift cards are redeemed by the customer.

Cost of Labor and Chemicals

Cost of labor and chemicals include labor costs associated with car wash employees, maintenance employees, warehouse employees, and chemicals and associated supplies. The related employee benefits for the aforementioned employees, such as taxes, insurance and workers compensation, are also included in the cost of labor and chemicals.

Other Store Operating Expenses

Other store operating expenses includes all other costs related to the operations of car wash and warehouse locations such as credit card fees, car damages, office and lobby supplies, information technology costs associated with the locations, telecommunications, advertising, non-healthcare related insurance, rent, repairs and maintenance related to held-for-use assets, utilities, property taxes, and depreciation on held-for-use assets at the car wash and warehouse locations.

Sales and Marketing

Sales and marketing expenses are expensed as incurred and include costs for advertising, onsite collateral, promotional events and sponsorships, and customer retention. Advertising costs totaled approximately \$4,634, \$4,868 and \$3,222 for the years ended December 31, 2022, 2021, and 2020, respectively, and are recorded in other store operating expenses in the consolidated statements of operations and comprehensive income (loss).

Income Taxes

The Company recognizes deferred tax assets and liabilities for the expected future tax consequences of events that have been recognized differently in the financial statements or tax returns. Under this method, deferred tax liabilities and assets are determined based on the difference between the financial statement carrying amounts and tax basis of assets and liabilities using enacted tax rates.

The Company has adopted a more likely than not threshold for financial statement recognition and measurement of an uncertain tax position taken or expected to be taken in a tax return. The Company recognizes interest and penalties related to uncertain tax positions in income tax (benefit) provision in the consolidated statements of operations and comprehensive income (loss).

Sales Taxes

The Company collects sales taxes from customers for taxable services provided and products sold and remits those collected sales and use taxes to the applicable state authorities on a monthly basis. The Company has adopted a policy of presenting such taxes on revenues on a net basis (excluded from revenues) in the Company's consolidated statements of operations and comprehensive income (loss).

Stock-Based Compensation Plans

Stock-based compensation represents the cost related to stock-based awards granted to employees. The Company measures stock-based compensation cost at grant date, based upon the estimated fair value of the award, and recognizes cost as expense using the tranche over the employee requisite service period. The Company estimates the fair value of stock options and stock purchase rights using a Black-Scholes option-pricing model. Restricted stock units are classified as equity and measured at the fair market value of the underlying stock at the grant date. Upon termination unvested time and performance-based options, stock-purchase rights, and restricted stock units are forfeited. The Company has made a policy election to estimate the number of stock-based compensation awards that are expected to vest to determine the amount of compensation expense recognized in earnings. Forfeiture estimates are revised if subsequent information indicates that the actual number of forfeitures is likely to differ from previous estimates.

The Company records deferred tax assets for awards that result in deductions in the Company's income tax returns, based upon the amount of compensation cost recognized and the Company's statutory tax rate. The tax effect of

differences between the compensation cost of an award recognized for financial reporting purposes and the deduction for an award for tax purposes is recognized as an income tax expense or benefit in the consolidated statements of operations and comprehensive income (loss) in the period in which the tax deduction arises.

Business Combinations

The Company evaluates each transaction under ASC 805, *Business Combinations*, including applying a screen test to evaluate if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets to determine whether a transaction is accounted for as an asset acquisition or business combination.

For all business acquisitions, the Company recognizes, separately from goodwill, the identifiable assets acquired, and liabilities assumed at their estimated acquisition-date fair values. The Company measures and recognizes goodwill as of the acquisition date as the excess of the aggregate of the fair value of consideration transferred over the fair value of assets acquired and liabilities assumed.

To the extent contingencies such as pre-acquisition environmental matters, contingent purchase price consideration, litigation, and related legal fees are resolved or settled during a reporting period after a business combination occurs, the effect of changes in such contingencies is included in results of operations in the periods in which the adjustments are determined. The Company recognizes third-party transaction-related costs as general and administrative in the period in which those costs are incurred.

If information about facts and circumstances existing as of the acquisition date is incomplete by the end of the reporting period in which a business combination occurs, the Company reports provisional amounts for the items for which the accounting is incomplete. This period will not exceed one year from the acquisition date. Any material adjustments recognized during the measurement period are reflected prospectively in the consolidated financial statements of the subsequent period.

Fair Value Measurements

The Company discloses the fair value of its financial instruments based on the fair value hierarchy. The levels of the fair value hierarchy are described as follows:

Level 1—Financial assets and liabilities whose values are based on unadjusted quoted market prices for identical assets and liabilities in an active market that the Company has the ability to access.

Level 2—Financial assets and liabilities whose values are based on quoted prices in markets that are not active, or model inputs that are observable for substantially the full term of the asset or liability.

Level 3—Financial assets and liabilities whose values are based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement.

The Company uses observable market data, when available, in making fair value measurements. When inputs used to measure fair value fall within different levels of the hierarchy, the level within which the fair value measurement is categorized is based on the lowest level input that is significant to the fair value measurement. A contingent consideration liability related to one of the Company's 2021 acquisitions was measured at fair value (Level 3) on a recurring basis as of December 31, 2022 and 2021. See Note 10 Fair Value Measurements for additional information regarding the contingent consideration liability.

Net Income (Loss) Per Share

Basic net income (loss) per share is computed by dividing net income (loss) by the weighted-average number of common shares outstanding for the period. Diluted net income (loss) per share is computed by dividing net income (loss) by the weighted-average shares outstanding for the period and includes the dilutive impact of potential new shares issuable upon vesting and exercise of stock options, vesting of restricted stock units, and stock purchase rights granted under an employee stock purchase plan. Potentially dilutive securities are excluded from the computation of diluted net income (loss) per share if their effect is antidilutive. Reconciliations of the numerators and denominators of the basic and diluted net income (loss) per share calculations for the periods presented are as follows:

	Year Ended December 31,		
	2022	2021	2020
Numerator:			
Net income (loss)	\$ 112,900	\$ (22,045)	\$ 60,403
Denominator:			
Weighted-average common shares outstanding - basic	303,372,095	280,215,579	261,773,267
Effect of potentially dilutive securities:			
Stock options	23,617,488	—	14,147,100
Restricted stock units	555,495	—	—
Employee stock purchase plan	15,329	—	—
Weighted-average common shares outstanding - diluted	<u>327,560,407</u>	<u>280,215,579</u>	<u>275,920,367</u>
Net income (loss) per share - basic	\$ 0.37	\$ (0.08)	\$ 0.23
Net income (loss) per share - diluted	<u>\$ 0.34</u>	<u>\$ (0.08)</u>	<u>\$ 0.22</u>

The following potentially dilutive shares were excluded from the computation of diluted net income (loss) per share for the periods presented because including them would have been antidilutive:

	Year Ended December 31,		
	2022	2021	2020
Stock options	2,204,216	30,752,951	22,693
Restricted stock units	62,140	1,683,077	—
Employee stock purchase plan	<u>49,645</u>	<u>194,263</u>	<u>—</u>

Deferred Offering Costs

The Company capitalizes certain legal, accounting, and other third-party fees that are directly related to the Company's equity financings, including the IPO, until such financings are consummated. After consummation of an equity financing, these costs are then recorded as a reduction of the proceeds received as a result of the financing. Should a planned equity financing be abandoned, terminated, or significantly delayed, the deferred offering costs would be immediately written off to operating expenses. Upon the closing of the IPO in June 2021, all deferred offering costs in the accompanying consolidated balance sheets were reclassified from prepaid expenses and other current assets and recorded against the IPO proceeds as a reduction to additional paid-in capital. There were no deferred offering costs capitalized as of December 31, 2022 and December 31, 2021.

Prior Period Reclassification

Certain prior period amounts related to other receivables within accounts receivable, net and prepaid expenses and other current assets in the accompanying consolidated financial statements have been reclassified to conform to the current period presentation. There was no change to prior period current or total assets. Certain prior period amounts related to accrued payroll and related expenses within other accrued expenses in the accompanying consolidated

financial statements have been reclassified to conform to the current period presentation. There was no change to prior period current or total liabilities.

Recent Accounting Pronouncements

In December 2019, the FASB issued ASU No. 2019-12, *Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes* (“ASU No. 2019-12”), which simplifies the accounting for income taxes by removing a variety of exceptions within the framework of ASC 740. The Company early adopted ASU No. 2019-12 on April 1, 2021, and the amendments applicable to the Company were applied prospectively. The adoption of this standard did not have an impact on the Company’s consolidated financial statements or disclosures for the year ended December 31, 2021.

In March 2020, the FASB issued ASU No. 2020-04, *Reference Rate Reform (Topic 848)* (“ASU No. 2020-04”) and issued the following subsequent amendments to ASU No. 2020-04: ASU No. 2021-01. The new guidance is intended to ease the potential burden in accounting for (or recognizing the effects of) reference rate reform on financial reporting. Reference rate reform is necessary due to the phase out of the London Interbank Offered Rate (“LIBOR”) at the end of 2021. The adoption of this guidance is optional and provides relief around modification and hedge accounting as it specifically arises from changing reference rates, in addition to optional expedients for cash flow hedges. The guidance will be effective from March 12, 2020 through December 31, 2022. The Company adopted ASU No. 2020-04 on April 1, 2021, and the adoption of this standard did not have an impact on the Company’s consolidated financial statements or disclosures. The Company continues to evaluate the impact of the guidance and may apply other elections as applicable as additional changes in the market occur.

Recently Issued Accounting Pronouncements Not Yet Adopted

In June 2016, the FASB issued ASU No. 2016-13, *Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments* (“ASU No. 2016-13”), which replaces the existing incurred loss impairment model with an expected credit loss model and requires a financial asset measured at amortized cost to be presented at the net amount expected to be collected. The guidance will be effective for the Company beginning January 1, 2023, and interim periods therein. Early adoption is permitted. The Company will adopt this new standard in the first quarter of 2023 and does not believe it will have a material effect on its consolidated financial statements and related disclosures.

In October 2021, the FASB issued ASU No. 2021-08, *Business Combinations (Topic 805) – Accounting for Contract Assets and Contract Liabilities from Contracts with Customers* (“ASU No. 2021-08”). The guidance improves the accounting for acquired revenue contracts with customers in a business combination by addressing diversity in practice and certain inconsistencies in application. Under current U.S. GAAP, an acquirer generally recognizes contract assets acquired and liabilities assumed in a business combination at fair value on the acquisition date. The amendments in this update require that an acquirer recognize and measure contract assets and contract liabilities acquired in a business combination in accordance with ASC Topic 606 as if it had originated the contracts. The amendments in this update are effective for fiscal years beginning after December 15, 2022, including interim periods within those fiscal years. Early adoption is permitted, including adoption in an interim period. The Company is currently evaluating the effect that ASU No. 2021-08 will have on its consolidated financial statements and related disclosures.

3. Prepaid Expenses and Other Current Assets

Prepaid expenses and other current assets consisted of the following for the periods presented:

	As of	
	December 31, 2022	December 31, 2021
Spare parts	\$ 5,397	\$ 2,318
Prepaid insurance	3,828	3,267
Other	3,393	3,181
Total prepaid expenses and other current assets	<u>\$ 12,618</u>	<u>\$ 8,766</u>

4. Property and Equipment, Net

Property and equipment, net consisted of the following for the periods presented:

	As of	
	December 31, 2022	December 31, 2021
Land	\$ 94,594	\$ 81,911
Buildings and improvements	189,998	171,540
Finance leases	16,604	16,497
Leasehold improvements	115,811	92,821
Vehicles and equipment	229,453	188,053
Furniture, fixtures and equipment	86,613	73,213
Construction in progress	53,373	24,724
Property and equipment, gross	786,446	648,759
Less: accumulated depreciation	(223,288)	(175,017)
Less: accumulated amortization - finance leases	(2,284)	(1,294)
Property and equipment, net	<u>\$ 560,874</u>	<u>\$ 472,448</u>

Depreciation expense was \$52,715, \$43,970 and \$38,010 for the years ended December 31, 2022, 2021 and 2020, respectively. Amortization expense on finance leases was \$991, \$970 and \$336 for the years ended December 31, 2022, 2021 and 2020, respectively. In December 2022, the Company recorded \$6,252 of impairment losses primarily related to the land and building of two locations, using independent third-party appraisals to determine the change in market values. These losses are recorded in gain on sale of assets, net on the consolidated statements of operations and comprehensive income (loss).

5. Other Intangible Assets, Net

Other intangibles assets, net consisted of the following as of the periods presented:

	December 31, 2022		December 31, 2021	
	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
Trade names and Trademarks	\$ 107,200	\$ 200	\$ 107,200	\$ —
CPC Unity System	42,900	35,750	42,900	31,591
Customer relationships	11,800	8,240	11,800	7,584
Covenants not to compete	12,590	6,685	11,075	3,980
Other intangible assets, net	<u>\$ 174,490</u>	<u>\$ 50,875</u>	<u>\$ 172,975</u>	<u>\$ 43,155</u>

The weighted average amortization period for CPC Unity System, Customer relationships, and Covenants not to compete are 10.0 years, 7.0 years and 6.3 years, respectively.

Amortization expense for finite-lived intangible assets was \$7,874, \$5,619 and \$6,943 for the years ended December 31, 2022, 2021 and 2020, respectively.

As of December 31, 2022, estimated future amortization expense was as follows:

Fiscal Year Ending:	
2023	\$ 6,548
2024	4,927
2025	1,699
2026	1,457
2027	613
Thereafter	1,371
Total estimated future amortization expense	<u>\$ 16,615</u>

6. Goodwill

Goodwill consisted of the following for the periods presented:

	As of	
	December 31, 2022	December 31, 2021
Balance at beginning of period	\$ 1,060,221	\$ 737,415
Current period acquisitions	57,856	323,477
Other provisional adjustments	(8,262)	(671)
Balance at end of period	<u>\$ 1,109,815</u>	<u>\$ 1,060,221</u>

Goodwill is generally deductible for tax purposes, except for the portion related to purchase accounting step-up goodwill.

7. Other Accrued Expenses

Other accrued expenses consisted of the following for the periods presented:

	As of	
	December 31, 2022	December 31, 2021
Utilities	\$ 5,439	\$ 4,274
Accrued other tax expense	8,863	8,088
Insurance expense	3,275	3,200
Greenfield development accruals	18,772	—
Other	4,847	4,639
Total other accrued expenses	<u>\$ 41,196</u>	<u>\$ 20,201</u>

Greenfield development accruals represent property and equipment costs, primarily related to land and buildings and improvements not yet invoiced as of December 31, 2022.

8. Income Taxes

The provision for income taxes consisted of the following for the periods presented:

	Year Ended December 31,		
	2022	2021	2020
Current provision (benefit):			
Federal	\$ 389	\$ —	\$ (9,748)
State	3,152	2,237	4,876
Total current provision (benefit)	<u>3,541</u>	<u>2,237</u>	<u>(4,872)</u>
Deferred provision (benefit):			
Federal	25,646	(22,781)	20,774
State	3,737	(4,549)	866
Total deferred provision (benefit)	<u>29,383</u>	<u>(27,330)</u>	<u>21,640</u>
Total provision (benefit)	<u>\$ 32,924</u>	<u>\$ (25,093)</u>	<u>\$ 16,768</u>

A reconciliation of the statutory income tax rate provision (benefit) to the Company's provision (benefit) consisted of the following for the periods presented:

	Year Ended December 31,		
	2022	2021	2020
Income tax provision (benefit) at the statutory rate	\$ 30,623	\$ (9,899)	\$ 16,206
Increase (decrease) resulting from:			
Federal credits	(532)	(606)	(400)
State income taxes, net of federal benefit	5,795	(2,903)	4,813
Other nondeductible expenses	665	714	184
Valuation allowance adjustment	444	122	(95)
Stock based compensation	(4,571)	(12,494)	(33)
Change in tax law (CARES Act)	—	—	(3,906)
Other, net	500	(27)	(1)
Income tax provision (benefit)	<u>\$ 32,924</u>	<u>\$ (25,093)</u>	<u>\$ 16,768</u>

	As of	
	December 31, 2022	December 31, 2021
Deferred tax assets:		
Lease liability	\$ 200,061	\$ 189,231
Stock based compensation	39,924	47,626
Accrued compensation costs	1,470	1,556
Deferred revenue	1,680	1,955
Net operating loss (NOL) carryforwards	23,225	27,971
Interest expense carryforwards	6,541	498
Federal credit carryforward	3,274	3,578
Other	3,284	1,354
Gross deferred tax assets	279,459	273,769
Less valuation allowance	(566)	(122)
Net deferred tax assets	278,893	273,647
Deferred tax liabilities:		
Right of use asset	(193,967)	(180,018)
Goodwill and other intangible assets	(55,476)	(46,254)
Property and equipment	(81,876)	(68,539)
Other	(969)	(1,439)
Gross deferred tax liabilities	(332,288)	(296,250)
Total deferred tax liabilities, net	<u>\$ (53,395)</u>	<u>\$ (22,603)</u>

The Company had federal and state net operating loss ("NOL") carryforwards available of \$104,097 and \$31,808 at December 31, 2022, respectively. The federal NOL carryforwards can be carried forward indefinitely while \$31,008 of the state NOL carryforwards have indefinite lives and the remaining amounts will expire between 2030 and 2042. The Company had federal interest expense carryforwards of \$26,335 at December 31, 2022, which can be carried forward indefinitely. The Company also had state interest expense carryforwards in seven states where the amounts vary by jurisdiction, which also have indefinite lives. The Company had federal general business credits of \$3,274 at December 31, 2022, which can be carried forward for 20 years and if unused, will expire between 2037 and 2042.

As noted above, the Company had deferred tax assets related to both federal and state NOL and interest expense carryforwards. When determining the need for a valuation allowance, the Company considers all available positive and negative evidence, including taxable income in prior carryback years (if carryback is permitted under the relevant tax law), the timing of the reversal of existing taxable temporary differences, tax planning strategies and projected future taxable income. The Company adjusts the valuation allowance in the period management determines it is more likely than not that the Company will not realize some or all of the deferred tax assets.

For financial reporting purposes, the Company established valuation allowances of \$566 and \$122 at December 31, 2022 and 2021, respectively, to offset deferred tax assets. The current and prior year valuation allowance relates to state interest expense carryovers and state net operating losses, respectively.

Past ownership changes and other equity transactions may have triggered Sections 382 and 383 of the Internal Revenue Code, resulting in certain annual limitations on the utilization of existing federal and state net operating losses and credits. Such provisions may limit the potential future tax benefit to be realized by the Company from its accumulated net operating losses and tax credit carryforwards.

On August 9, 2022, the Creating Helpful Incentives to Produce Semiconductors (“CHIPS”) Act of 2022 was signed into law. The CHIPS Act is designed to boost domestic semiconductor manufacturing and encourage US research activities. Later that month, on August 16, 2022, the Inflation Reduction Act (“IRA”) of 2022 was signed into law. The IRA creates a new book-minimum tax on certain large corporations and an excise tax on stock buybacks while also providing incentives to address climate change mitigation and clean energy, among other items. Most of these changes will become effective for the 2023 tax year and after initial evaluation, the Company does not currently expect these laws to have a material effect on the consolidated financial statements.

The income tax benefit recorded in 2022 is different from the expected statutory federal and state tax benefit primarily due to a \$4,571 income tax benefit related to equity award exercises and/or vesting in 2022, which is net of the impact of the internal revenue code rules and regulations related to the deductibility of executive compensation by publicly held companies.

The Company files income tax returns in the U.S. federal and various state tax jurisdictions and is subject to varying statutes of limitation in each jurisdiction. As of December 31, 2022, the Company is not under audit for federal or state income tax purposes. In general, the Company’s federal tax return may be subject to examination for the 2019 through 2021 tax years, while for state purposes, the 2018 through 2021 years are generally open to examination, with some states having either a three- or four-year statute of limitations. The Company’s usage of NOL carryovers also permits taxing authorities to adjust aspects of tax returns that may be outside of these statutes of limitation.

The Company’s policy is to recognize interest and penalties related to income tax matters in income tax (benefit) provision. The Company neither accrued for nor recognized any interest or penalties in income tax expense as of December 31, 2022 or 2021. The Company has not accrued for any uncertain tax positions as of December 31, 2022 or 2021 and believes that it is unlikely that there will be a significant increase or decrease of any unrecognized tax benefits within the next twelve months.

9. Debt

The Company’s long-term debt consisted of the following as of the periods presented:

	<u>As of</u>	
	<u>December 31, 2022</u>	<u>December 31, 2021</u>
<i>Credit agreement</i>		
First lien term loan	\$ 901,201	\$ 903,301
Less: unamortized discount and debt issuance costs	(5,371)	(6,965)
Less: current maturities of debt	—	—
First lien term loan, net	<u>895,830</u>	<u>896,336</u>
Credit agreement, net	<u>\$ 895,830</u>	<u>\$ 896,336</u>
Total long-term portion of debt, net	<u>\$ 895,830</u>	<u>\$ 896,336</u>

As of December 31, 2022, annual maturities of debt were as follows:

Fiscal Year Ending:	
2023	\$ —
2024	—
2025	—
2026	901,201
2027	—
Thereafter	—
Total maturities of debt	\$ 901,201

As of December 31, 2022 and 2021, unamortized debt issuance costs was \$5,729 and \$6,965, respectively, and accumulated amortization of debt issuance costs was \$4,446 and \$2,482, respectively.

For the years ended December 31, 2022, 2021 and 2020, the amortization of debt issuance costs in interest expense, net in the consolidated statements of operations and comprehensive income (loss) was approximately \$1,698, \$1,155 and \$1,139, respectively.

Credit Agreement

On August 21, 2014, the Company entered into a Credit Agreement (“Credit Agreement”) which was originally comprised of a term loan (“First Lien Term Loan”) and a revolving commitment (“Revolving Commitment”). The Credit Agreement was collateralized by substantially all personal property (including cash, inventory, property and equipment, and intangible assets), real property, and equity interests owned by the Company.

Under the Credit Agreement and with respect to the First Lien Term Loan, the Company had the option of selecting either (i) a Base Rate interest rate plus fixed margin of 2.25% or (ii) a Eurodollar (LIBOR) interest rate for one, two, three or six months plus a fixed margin of 3.25%.

Under the Credit Agreement and with respect to the Revolving Commitment, the Company had the option of selecting either (i) a Base Rate interest rate plus a variable margin of 2.50% to 3.00%, based on the Company’s First Lien Net Debt Leverage Ratio, or (ii) a Eurodollar (LIBOR) interest rate for one, two, three or six months plus a variable margin of 3.50% to 4.00%, based on the Company’s First Lien Net Leverage Ratio.

First Lien Term Loan

In February 2020, the Company entered into Amendment No. 1 to Amended and Restated First Lien Credit Agreement (“Amended First Lien Credit Agreement”) which amended and restated the Amended and Restated First Lien Credit Agreement entered into in May 2019 (“First Lien Credit Agreement”). The Amended First Lien Credit Agreement changed the interest rate spreads associated with the First Lien Credit Agreement where (i) the variable margin associated with the Base Rate interest rate plus a variable margin based on the Company’s First Lien Net Leverage Ratio changed from 2.25% to 2.50% to 2.00% to 2.25% and (ii) the variable margin associated with the Eurodollar Rate interest rate for one, two, three or six months plus a variable margin based on the Company’s First Lien Net Leverage Ratio changed from 3.25% to 3.50% to 3.00% to 3.25%. In connection with the Amended First Lien Credit Agreement, the Company expensed \$1,918 of previously unamortized debt issuance costs as a loss on extinguishment of debt in the consolidated statements of operations and comprehensive income (loss).

In February 2020 and March 2020, the Company borrowed \$30,000 and \$10,000, respectively, under the delayed draw facility under the First Lien Term Loan, utilizing the full \$40,000 available under the delayed draw facility. As a result of the additional borrowings under the delayed draw facility, the quarterly principal payments associated with the First Lien Term Loan increased from \$2,000 to \$2,100.

In June 2021, the Company made a voluntary prepayment of \$190,400 of outstanding principal under the First Lien Term Loan funded by the net proceeds from the IPO. In connection with the voluntary prepayment, the Company expensed \$1,037 of previously unamortized debt issuance costs as a loss on extinguishment of debt in the consolidated statements of operations and comprehensive income (loss). The early prepayment resulted in the elimination of required quarterly amortization principal payments through 2026.

In December 2021, in connection with the Clean Streak Ventures acquisition, the Company entered into Amendment No. 3 to the Amended and Restated First Lien Credit Agreement (“Amended First Lien Credit Agreement”) which

amended and restated the Amended and Restated First Lien Credit Agreement entered into in May 2019 ("First Lien Credit Agreement"). Under the terms of the Amended First Lien Credit Agreement, the previous First Lien Term Loan was increased by \$290,000 to \$903,301 with the balance due on May 14, 2026. The incremental increase in aggregate principal of \$290,000 resulted in \$285,962 of proceeds net of discount and deferred debt issuance costs. In connection with the Amendment No. 3 to Amended and Restated First Lien Credit Agreement, the Company expensed \$21 of previously unamortized debt issuance costs as a loss on extinguishment of debt in the consolidated statements of operations and comprehensive income (loss).

In December 2022, the Company entered into Amendment No. 4 to its Amended and Restated First Lien Credit Agreement with the lenders party thereto, and Jeffries Finance LLC, as administrative agent, to transition from LIBOR to Eurocurrency rate SOFR spread, whereas all revolver borrowings and term loan borrowings under the existing credit agreement will be SOFR based. All other terms governing this term loan facility remained substantially the same.

As of December 31, 2022 and 2021, the amount outstanding under the First Lien Term Loan was \$901,201 and \$903,301 respectively. As of December 31, 2022 and 2021, the interest rate on the First Lien Term Loan was 7.42% and 3.10%, respectively.

The Amended First Lien Credit Agreement requires the Company to maintain compliance with a First Lien Net Leverage Ratio. As of December 31, 2022, the Company was in compliance with the First Lien Net Leverage Ratio financial covenant of the Amended First Lien Credit Agreement.

Revolving Credit Agreement

In May 2019, as a part of the Amended and Restated First Lien Credit Agreement, the Revolving Commitment was increased from \$50,000 to \$75,000 and the expiration date was changed from August 21, 2019 to May 14, 2024. The Company had the option of selecting either a Base Rate interest rate plus a variable margin based on the Company's First Lien Net Leverage Ratio (ranging from 2.0% to 2.5%) or a Eurodollar Rate interest rate for one, two, three or six months plus a variable margin based on the Company's First Lien Net Leverage Ratio (ranging from 3.0% to 3.5%).

In June 2021, the Company entered into Amendment No. 2 to Amended and Restated First Lien Credit Agreement that (i) increased the maximum available borrowing capacity under the Revolving Commitment from \$75,000 to \$150,000 and (ii) extended the maturity date of the Revolving Commitment to the earliest to occur of (a) June 4, 2026, (b) the date that is six months prior to the maturity date of the First Lien Term Loan (provided that clause (b) shall not apply if the maturity date for the First Lien Term Loan is extended to a date that is at least six months after June 4, 2026, the First Lien Term Loan is refinanced having a maturity date at least six months after June 4, 2026, or the First Lien Term Loan is paid in full), (c) the date that commitments under the Revolving Commitment are permanently reduced to zero, and (d) the date of the termination of the commitments under the Revolving Commitment. The increase to the maximum available borrowing capacity was effected on the close of the IPO in June 2021. In connection with the amendment, the Company expensed \$87 of previously unamortized deferred debt issuance costs as a loss on extinguishment of debt in the consolidated statements of operations and comprehensive income (loss).

As of December 31, 2022 and 2021, there were no amounts outstanding under the Revolving Commitment.

The maximum available borrowing capacity under the Revolving Commitment is reduced by outstanding letters of credit under the Revolving Commitment. As of December 31, 2022 and 2021, the available borrowing capacity under the Revolving Commitment was \$148,581 and \$149,503, respectively.

In addition, an unused commitment fee based on the Company's First Lien Net Leverage Ratio is payable on the average of the unused borrowing capacity under the Revolving Commitment. As of December 31, 2022 and 2021, the unused commitment fee was 0.25%.

Standby Letters of Credit

As of December 31, 2022, the Company has a letter of credit sublimit of \$10,000 under the Revolving Commitment, provided that the total utilization of revolving commitments under the Revolving Commitment does not exceed \$150,000 subsequent to the First Lien Credit Agreement. Any letter of credit issued under the Credit Agreement has an expiration date which is the earlier of (i) no later than 12 months from the date of issuance or (ii) five business days prior to the maturity date of the Revolving Commitment, as amended under Amendment No. 2 to Amended and Restated First Lien Credit Agreement. Letters of credit under the Revolving Commitment reduce the maximum available borrowing capacity under the Revolving Commitment. As of December 31, 2022 and 2021, the amounts associated with outstanding letters of credit were \$1,419 and \$497, respectively, and unused letters of credit under the Revolving Commitment were \$8,581 and \$9,503, respectively.

10. Fair Value Measurements

The following table presents assets and liabilities which are measured at fair value on a recurring basis as of December 31, 2022:

	Fair Value Measurements			
	Total	Level 1	Level 2	Level 3
Liabilities:				
Contingent consideration	\$ 5,250	\$ —	\$ —	\$ 5,250

The following table presents financial liabilities which are measured at fair value on a recurring basis as of December 31, 2021:

	Fair Value Measurements			
	Total	Level 1	Level 2	Level 3
Assets:				
Interest rate swap	\$ 268	\$ —	\$ 268	\$ —
Liabilities:				
Contingent consideration	\$ 5,750	\$ —	\$ —	\$ 5,750

The Company measures the fair value of its financial assets and liabilities using the highest level of inputs that are available as of the measurement date. The carrying amounts of cash, accounts receivable, and accounts payable approximate their fair value due to the immediate or short-term maturity of these financial instruments. See Note 11 Interest Rate Swap for additional information on the interest rate swap.

As of December 31, 2022 and 2021, the fair value of the Company's First Lien Term Loan approximated its carrying value due to the debt's variable interest rate terms.

As of December 31, 2022, the Company also recognized assets in cash investments of \$5,032, of which \$4,992 are held in commercial paper and categorized as Level 2 assets and \$40 held in money market funds, which are categorized as Level 1 assets. These investments have maturities of less than 90 days and are recorded within Cash and cash equivalents on the consolidated balance sheet. As of December 31, 2021, the Company did not record any cash investments.

As of December 31, 2022 and 2021, the Company recognized a Level 3 contingent consideration liability in connection with the Downtowner Car Wash acquisition. The Company measured its contingent consideration liability arising from its 2021 acquisition using Level 3 unobservable inputs. The contingent consideration liability is associated with the achievement of certain targets and is estimated at each balance sheet date by considering among other factors, results of completed periods and the Company's most recent financial projection for future periods subject to earn-out payments. There are two components to the contingent consideration: a payment when the Company obtains the certificate of occupancy for the car wash and opens to the public in 2023 and an annual payment based on certain financial metrics of the business. A change in the forecasted revenue or projected opening dates could result in a significantly lower or higher fair value measurement. The Company determined that there were no significant changes to the unobservable inputs that would have resulted in a change in fair value of this contingent consideration liability at December 31, 2022.

During the years ended December 31, 2022 and 2021, there were no transfers between fair value measurement levels.

11. Interest Rate Swap

In May 2020, the Company entered into a pay-fixed, receive-floating interest rate swap (the “Swap”) to mitigate variability in forecasted interest payments on an amortizing notional of \$550,000 of the Company’s variable-rate First Lien Term Loan. The Company designated the Swap as a cash flow hedge. In October 2022, this interest rate swap expired and the Company did not enter into a new one.

As of December 31, 2021, the fair value of the Swap was reported as a debit balance of \$268 and was included in prepaid and other current assets in the accompanying consolidated balance sheets.

For the years ended December 31, 2022 and 2021, amounts reported in other comprehensive income (loss) in the accompanying consolidated statements of operations and comprehensive income (loss) are net of tax of \$0 and \$449, respectively.

12. Leases

The Company’s incremental borrowing rate for a lease is the rate of interest it expects to pay on a collateralized basis to borrow an amount equal to the lease payments under similar terms. To determine the incremental borrowing rates used to discount the lease payments, the Company estimated its synthetic credit rating and utilized market data for similarly situated companies.

Balance sheet information related to leases consisted of the following for the periods presented:

	Classification	As of	
		December 31, 2022	December 31, 2021
Assets			
Operating	Operating right of use assets, net	\$ 776,689	\$ 718,533
Finance	Property and equipment, net	14,320	15,204
Total lease assets		<u>\$ 791,009</u>	<u>\$ 733,737</u>
Liabilities			
Current			
Operating	Current maturities of operating lease liability	\$ 40,367	\$ 37,345
Finance	Current maturities of finance lease liability	668	559
Long-term			
Operating	Operating lease liability	759,775	717,552
Finance	Financing lease liability	14,779	15,359
Total lease liabilities		<u>\$ 815,589</u>	<u>\$ 770,815</u>

Components of total lease cost, net, consisted of the following for the periods presented:

	Year Ended December 31,	
	2022	2021
Operating lease expense ⁽¹⁾	\$ 89,250	\$ 79,420
Finance lease expense		
Amortization of lease assets	991	970
Interest on lease liabilities	1,129	1,164
Short-term lease expense	32	50
Variable lease expense ⁽²⁾	15,156	12,045
Total	<u>\$ 106,558</u>	<u>\$ 93,649</u>

- (1) Operating lease expense includes an immaterial amount of sublease income and is included in other store operating expenses and general and administrative on the consolidated statement of operating and comprehensive income (loss).

- (2) Variable lease costs consist primarily of property taxes, property insurance, and common area or other maintenance costs for the Company's building leases.

The following includes supplemental information for the periods presented:

	Year Ended December 31,	
	2022	2021
Operating cash flows from operating leases	\$ 89,573	\$ 80,831
Operating cash flows from finance leases	\$ 1,130	\$ 1,164
Financing cash flows from finance leases	\$ 577	\$ 495
Operating lease ROU assets obtained in exchange for lease liabilities	\$ 92,048	\$ 72,944
Finance lease ROU assets obtained in exchange for lease liabilities	\$ 107	\$ -
Weighted-average remaining operating lease term	14.11	14.44
Weighted-average remaining finance lease term	16.37	17.30
Weighted-average operating lease discount rate	7.34%	6.61%
Weighted-average finance lease discount rate	7.33%	7.33%

As of December 31, 2022, lease obligation maturities were as follows:

Fiscal Year Ending:	Operating Leases	Finance Leases
2023	\$ 95,239	\$ 1,755
2024	95,164	1,780
2025	94,977	1,786
2026	93,910	1,792
2027	90,523	1,819
Thereafter	843,312	20,271
Total future minimum obligations	\$ 1,313,125	\$ 29,203
Less: Present value discount	(512,983)	(13,756)
Present value of net future minimum lease obligations	\$ 800,142	\$ 15,447
Less: current portion	(40,367)	(668)
Long-term obligations	<u>\$ 759,775</u>	<u>\$ 14,779</u>

Forward Starting Leases

As of December 31, 2022, the Company entered into seven leases that had not yet commenced related to build-to-suit arrangements for car wash locations. These leases will commence in years 2023 through 2025 with initial lease terms of 15 to 20 years.

As of December 31, 2021, the Company entered into eight leases that had not yet commenced related to build-to-suit arrangements for car wash locations. These leases commenced in 2022 or will commence in the remainder of 2023 with initial lease terms of five to 20 years.

Sale-leaseback Transactions

During the year ended December 31, 2022, the Company completed six sale-leaseback transactions related to car wash locations with aggregate consideration of \$89,932, resulting in net gains of \$8,359, which is included in gain on sale of assets, net in the consolidated statements of operations and comprehensive income (loss).

Contemporaneously with the closing of the sales, the Company entered into lease agreements for the properties for initial 15- to 20-year terms. For the sale-leaseback transactions consummated for the year ended December 31, 2022, the cumulative initial annual rents for the properties were approximately \$5,062, subject to annual escalations. These leases are accounted for as operating leases.

During the year ended December 31, 2021, the Company completed nine sale-leaseback transactions related to car wash locations with aggregate consideration of \$96,584, resulting in net gains of \$24,881, which is included in gain on sale of assets, net in the consolidated statements of operations and comprehensive income (loss).

Contemporaneously with the closing of the sales, the Company entered into lease agreements for the properties for initial 15- to 20-year terms. For the sale-leaseback transactions consummated for the year ended December 31, 2021, the cumulative initial annual rents for the properties were approximately \$5,702, subject to annual escalations. These leases are accounted for as operating leases.

13. Stockholders' Equity

As of December 31, 2022, there were 1,000,000,000 shares of common stock authorized, 309,800,757 shares of common stock issued, and 306,626,530 shares of common stock outstanding.

At December 31, 2021, there were 303,294,678 shares of common stock issued, and 300,120,451 shares of common stock issued and outstanding.

As of December 31, 2022 and 2021, there were 5,000,000 shares of preferred stock authorized and none were issued or outstanding.

The Company uses the cost method to account for treasury stock. As of December 31, 2022 and 2021, the Company had 3,174,227 shares of treasury stock. As of December 31, 2022 and 2021, the cost of treasury stock included in additional paid-in capital in the consolidated balance sheets was \$6,091.

14. Stock-Based Compensation

The 2014 Plan

Under the 2014 Stock Option Plan of Hotshine Holdings, Inc. (the "2014 Plan"), the Company may grant incentive stock options or nonqualified stock options to purchase common shares of the Company to its employees, directors, officers, outside advisors and non-employee consultants.

All stock options granted under the 2014 Plan are equity-classified and have a contractual life of ten years. Under the 2014 Plan, 60% of the shares in a grant contain service-based vesting conditions and vest ratably over a five-year period and 40% of the shares in a grant contain performance-based vesting conditions ("Performance Vesting Options"). The condition for the Performance Vesting Options is a change in control or an initial public offering, where (i) 50% of the Performance Vesting Options vest and become exercisable if the Principal Stockholders receive the Target Proceeds at the Measurement Date and (ii) the remaining 50% of the Performance Vesting Options vest and become exercisable if the Principal Stockholders receive the Maximum Amount at the Measurement Date. Principal Stockholders is defined in the 2014 Plan as (a) Green Equity Investors VI, L.P., (b) Green Equity Investors Side VI, L.P., (c) LGP Associates VI-A, LLC, (d) LGP Associates VI-B LLC, and (e) the affiliates of the foregoing entities. Measurement Date is defined as the date of a change in control or an initial public offering, whichever comes first. The Target Proceeds and Maximum Amount are defined and measured by either multiples of invested capital or an annual compounded pre-tax internal rate of return on investment. In June 2021, the Company modified all outstanding shares of Performance Vesting Options to remove, subject to the successful completion of the IPO, the requirement that the Principal Stockholders receive the Target Proceeds and the Maximum Amount as conditions for the Performance Vesting Options to vest. The exercise prices for stock options granted under the 2014 Plan were not less than the fair market value of the common stock of the Company on the date of grant. For the avoidance of doubt, the IPO constituted a performance measurement date under the applicable option agreements for the Performance Vesting Options and the Performance Vesting Options vested in full in connection with the IPO.

The 2021 Plan

In June 2021, the Board adopted the 2021 Incentive Award Plan (the "2021 Plan"), which was subsequently approved by the Company's stockholders and became effective on June 25, 2021. Under the 2021 Plan, the Company may grant incentive stock options, nonqualified stock options, restricted stock units ("RSUs"), restricted stock, and other stock- or cash-based awards to its employees, directors, officers, and non-employee consultants. Initially, the maximum number of shares of the Company's common stock that may be issued under the 2021 Plan is 29,800,000 new shares of common stock, which includes 256,431 shares of common stock that remained available for issuance under the 2014 Plan at June 25, 2021. In connection with the IPO, stock option and RSU awards were granted with respect to 3,726,305 shares. Any shares of common stock subject to outstanding stock awards granted

under the 2014 Plan and, following June 25, 2021, terminate, expire or are otherwise forfeited, reacquired or withheld will become available for issuance under the 2021 Plan.

All stock options granted under the 2021 Plan are equity-classified and have a contractual life of ten years. Under the 2021 Plan, the stock options contain service-based vesting conditions and generally vest ratably over a three- or five-year period (collectively with stock options under the 2014 Plan, the “Time Vesting Options”). The exercise prices for stock options granted under the 2021 Plan were not less than the fair market value of the common stock of the Company on the date of grant.

RSUs granted under the 2021 Plan are equity-classified and contain service-based conditions and generally vest ratably over one- to five-year periods. Each RSU represents the right to receive one share of the Company’s common stock upon vesting. The fair value is calculated based upon the Company’s closing stock price on the date of grant, and the stock-based compensation expense is recognized over the requisite service period, which is generally the vesting period.

The 2014 Plan and 2021 Plan are administered by the Board or, at the discretion of the Board, by a committee thereof. The exercise prices for stock options, the vesting of awards, and other restrictions are determined at the discretion of the Board, or its committee if so delegated.

The 2021 ESPP

In June 2021, the Board adopted the 2021 Employee Stock Purchase Plan (“2021 ESPP”), which was subsequently approved by the Company’s stockholders and became effective in June 2021. The 2021 ESPP authorizes the initial issuance of up to 5,000,000 shares of the Company’s common stock to eligible employees of the Company or, as designated by the Board, employees of a related company. The 2021 ESPP provides for offering periods not to exceed 27 months, and each offering period will include purchase periods. The Company determined that offering periods would commence at approximately the six-month period beginning with an enrollment date and ending with the next exercise date, except that the first offering period commenced on the effective date of the Company’s registration statement and ended on November 9, 2021.

The 2021 ESPP provides that the number of shares reserved and available for issuance under the 2021 ESPP will automatically increase on January 1 of each calendar year from January 1, 2022 through January 1, 2031 by an amount equal to the lesser of (i) 0.5% of the outstanding number of shares of common stock on the immediately preceding December 31 and (ii) such lesser number of shares of common stock as determined by the Board.

Share-Based Payment Valuation

The grant date fair value of Time Vesting Options granted is determined using the Black-Scholes option-pricing model. The grant date fair value of Performance Vesting Options is determined using a Monte Carlo simulation model and a barrier-adjusted Black-Scholes option-pricing model. The grant date fair value of stock purchase rights granted under the 2021 ESPP is determined using the Black-Scholes option-pricing model.

2021 ESPP Valuation

The following table presents, on a weighted-average basis, the assumptions used in the Black-Scholes option-pricing model to determine the grant date fair value of stock purchase rights granted under the 2021 ESPP Plan during the period presented as follows:

	Year Ended December 31,	
	2022	2021
Expected volatility	34.33% - 53.90%	34.33% - 38.64%
Risk-free interest rate	0.07% - 4.53%	0.05% - 0.07%
Expected term (in years)	0.49 - 0.50	0.35 - 0.49
Expected dividend yield	None	None

Time Vesting Options

The following table presents, on a weighted-average basis, the assumptions used in the Black-Scholes option-pricing model to determine the grant date fair value of Time Vesting Options granted under the 2014 Plan and 2021 Plan during the periods presented as follows:

	Year Ended December 31,		
	2022	2021	2020
Expected volatility	35.63% - 36.95%	34.13% - 44.89%	26.62% - 30.84%
Risk-free interest rate	2.96% - 3.65%	0.63% - 1.34%	0.43% - 1.00%
Expected term (in years)	6.0 - 6.26	5.2 - 6.5	6.5
Expected dividend yield	None	None	None

Stock Options

A summary of the Company's stock option activity during the most recent period presented is as follows:

	Time Vesting Options	Performance Vesting Options	Total Number of Stock Options	Weighted- Average Exercise Price
Outstanding as of December 31, 2021	18,513,356	12,239,595	30,752,951	\$ 2.01
Granted	445,675	—	445,675	\$ 12.16
Exercised	(2,891,074)	(2,357,317)	(5,248,391)	\$ 0.90
Forfeited	(416,335)	—	(416,335)	\$ 8.74
Outstanding as of December 31, 2022	<u>15,651,622</u>	<u>9,882,278</u>	<u>25,533,900</u>	<u>\$ 2.31</u>
Options vested or expected to vest as of December 31, 2022	<u>15,287,046</u>	<u>9,882,278</u>	<u>25,169,324</u>	<u>\$ 5.82</u>
Options exercisable as of December 31, 2022	<u>11,946,702</u>	<u>9,882,278</u>	<u>21,828,980</u>	<u>\$ 1.19</u>

The number and weighted-average grant date fair value of stock options during the most recent period presented is as follows:

	Number of Stock Options		Weighted-Average Grant Date Fair Value	
	Time Vesting Options	Performance Vesting Options	Time Vesting Options	Performance Vesting Options
Non-vested as of December 31, 2021	5,266,469	—	\$ 3.45	—
Non-vested as of December 31, 2022	3,704,919	—	\$ 3.90	—
Granted during the period	445,675	—	\$ 4.85	—
Vested during the period	1,590,890	—	\$ 2.71	—
Forfeited/canceled during the period	416,335	—	\$ 3.84	—

The total grant date fair value of Time Vesting Options granted during the year ended December 31, 2022 was approximately \$2,162. The total intrinsic value of options exercised during the years ended December 31, 2022, 2021 and 2020 was \$63,104, \$99,844 and \$25, respectively.

The fair value of stock options vested during the years ended December 31, 2022, 2021 and 2020 was \$19,717, \$328,839 and \$14,169, respectively.

The weighted-average fair value of time vesting options granted in 2022, 2021 and 2020, estimated on the dates of grant using the Black-Scholes option pricing model, was \$4.85, \$5.12 and \$0.68, respectively.

As of December 31, 2022 and 2021, the weighted-average remaining contractual life of outstanding stock options was approximately 4.16 years and 4.73 years.

As of December 31, 2022 and 2021, the weighted-average remaining contractual life of currently exercisable stock options was approximately 3.94 years and 3.74 years.

Restricted Stock Units

The following table summarizes the Company's RSU activity during the periods presented as follows:

	Restricted Stock Units	Weighted-Average Grant Date Fair Value
Unvested as of December 31, 2021	1,683,077	\$ 15.14
Granted	1,220,555	12.12
Vested	(517,422)	15.22
Forfeited	(310,351)	13.80
Unvested as of December 31, 2022	<u>2,075,859</u>	<u>\$ 13.55</u>

The total fair value of RSUs that vested during the year ended December 31, 2022 was \$5,549.

As of December 31, 2022 and 2021, the weighted-average remaining contractual life of outstanding RSUs was approximately 9.01 years and 9.51 years, respectively.

Stock-Based Compensation Expense

The Company estimated a forfeiture rate of 6.96% for awards with service-based vesting conditions based on historical experience and future expectations of the vesting of these share-based payments. The Company used this rate as an assumption in calculating stock-based compensation expense for Time Vesting Options, RSUs, and stock purchase rights granted under the 2021 ESPP.

Total stock-based compensation expense, by caption, recorded in the consolidated statements of operations and comprehensive income (loss) for the periods presented is as follows:

	Year Ended December 31,		
	2022	2021	2020
Cost of labor and chemicals	\$ 8,349	\$ 36,500	\$ —
General and administrative	13,956	180,079	1,493
Total stock-based compensation expense	<u>\$ 22,305</u>	<u>\$ 216,579</u>	<u>\$ 1,493</u>
Income tax benefit for stock-based compensation expense	<u>\$ (3,932)</u>	<u>\$ (50,932)</u>	<u>\$ (372)</u>

Total stock-based compensation expense, by award type, recorded in the consolidated statements of operations and comprehensive income (loss) for the periods presented is as follows:

	Year Ended December 31,		
	2022	2021	2020
Time Vesting Options	\$ 6,922	\$ 5,662	\$ 1,493
Performance Vesting Options	—	201,985	—
RSUs	13,984	6,585	—
2021 ESPP	1,399	2,347	—
Total stock-based compensation expense	<u>\$ 22,305</u>	<u>\$ 216,579</u>	<u>\$ 1,493</u>

As of December 31, 2022, total unrecognized compensation expense related to unvested Time Vesting Options was \$7,959, which is expected to be recognized over a weighted-average period of 3.27 years.

As of December 31, 2022, there was no unrecognized compensation expense related to unvested Performance Vesting Options as the completion of the IPO satisfied the performance condition and as a result, all outstanding Performance Vesting Options vested.

As of December 31, 2022, total unrecognized compensation expense related to unvested RSUs was \$14,495, which is expected to be recognized over a weighted-average period of 2.51 years.

As of December 31, 2022, total unrecognized compensation expense related to unvested stock purchase rights under the 2021 ESPP was \$434, which is expected to be recognized over a weighted-average period of 0.37 years.

Modification of Stock Options

In February 2021, the Company modified a total of 7,874,304 shares of Performance Vesting Options for 12 grantees to provide for an additional service-based vesting condition related to the acceleration of vesting in connection with a grantees' death. The Company did not recognize current incremental stock-based compensation expense in connection with the modification during the year ended December 31, 2022 because the grants vest upon the earlier of a performance condition or a service condition, neither of which are probable of occurring until the condition is met. The modification resulted in an incremental increase to unrecognized compensation expense related to unvested Performance Vesting Options of \$75,217, which was recognized in June 2021 in connection with the completion of the IPO.

In June 2021, the Company modified all outstanding shares of Performance Vesting Options to remove, subject to the successful completion of the IPO, the requirement that the Principal Stockholders receive the Target Proceeds and the Maximum Amount as conditions for the Performance Vesting Options to vest. This modification resulted in incremental stock-based compensation expense of \$117,708, which was recognized in June 2021 in connection with the completion of the IPO.

15. Employee Retirement Savings Plan

In January 2011, the Company established a defined contribution 401(k)-plan to benefit certain of its employees. The 401(k)-plan sponsor is a wholly owned subsidiary of the Company. Employees are eligible to participate if they are at least 18 years of age and have worked for the Company for at least six months. The Company may make discretionary matching contributions. For the years ended December 31, 2022, 2021 and 2020, the Company made \$1,153, \$977, and \$638, respectively, of matching contributions.

The Company maintains a nonqualified deferred compensation plan for certain management employees. Under the deferred compensation plan, a participant may elect to defer up to 90% of their base salary, 90% of their annual bonus, and/or 100% of 401(k) contributions that fail the top-heavy testing for highly compensated employees. The Company may make discretionary matching contributions. As of December 31, 2022 and 2021, the deferred compensation liability under this plan within accrued payroll and related expenses was \$3,818 and \$4,131, respectively.

16. Business Combinations

From time to time, the Company may pursue acquisitions of conveyORIZED car washes that either strategically fit with the Company's business or expand the Company's presence in new and attractive markets.

The Company accounts for business combinations under the acquisition method of accounting. The assets acquired, and liabilities assumed in connection with business acquisitions are recorded at the date of acquisition at their estimated fair values, with any excess of the purchase price over the estimated fair values of the net assets acquired and intangible assets assigned, recorded as goodwill. Significant judgment is required in estimating the fair value of assets acquired and liabilities assumed and in assigning their respective useful lives. Accordingly, the Company may engage third-party valuation specialists to assist in these determinations. The fair value estimates are based on available historical information and on future expectations and assumptions deemed reasonable by management; but are inherently uncertain.

The consolidated financial statements reflect the operations of an acquired business starting from the effective date of the acquisition. The Company expensed \$647, \$2,383 and \$545 of acquisition-related costs for the years ended December 31, 2022, 2021 and 2020, respectively. These acquisition-related costs are expensed as incurred and are included in general and administrative expenses in the accompanying consolidated statements of operations and comprehensive income (loss).

For the years ended December 31, 2022 and 2021, the amount of acquired goodwill that is not deductible for income tax purposes is \$1,078 and \$81,365, respectively. The goodwill recognized in 2022 and 2021 is primarily attributable to the expected synergies to be achieved from the business combinations.

2022 Acquisitions

For the year ended December 31, 2022, the Company acquired the assets and liabilities of 11 conveyORIZED car washes in four acquisitions for total consideration of approximately \$98,548, which was paid in cash. These acquisitions resulted in the preliminary recognition of \$57,856 of goodwill, \$37,174 of property and equipment, \$1,540 of intangible assets related to covenant not to compete, \$1,978 of other assets and liabilities. Adjustments related to 2022 acquisitions were not material in the current year.

The weighted-average amortization period for the acquired covenants not to compete is 5.0 years.

The acquisitions were located in the following markets:

Location (Seller)	Number of Washes	Month Acquired
Georgia (Bamboo Carwash)	1	April
California (Speedwash)	4	April
Minnesota (Top Wash)	3	August
California (Rapid Xpress)	3	December

Unaudited Supplemental Pro Forma Information

The following table presents unaudited supplemental pro forma information for the periods presented as if the business combinations had occurred on January 1, 2021:

	Year Ended December 31,	
	2022	2021
Net revenues	\$ 17,050	\$ 18,310
Net income	\$ 3,856	\$ 6,478

The pro forma results presented above primarily include amortization charges for acquired intangible assets, depreciation adjustments for property and equipment that has been revalued, adjustments for certain acquisition-related charges, and the related tax effects. The pro forma information is presented for information purposes only and is not indicative of the results of operations that would have been achieved if the acquisitions had taken place at such time.

For the year ended December 31, 2022, the revenues and earnings of the acquisitions reflected in the accompanying consolidated statements of operations and comprehensive income (loss) were \$7,709 and \$(89), respectively.

2021 Acquisitions

For the year ended December 31, 2021, the Company acquired the assets and liabilities of 37 conveyORIZED car washes in five acquisitions for total consideration of approximately \$524,839, which was paid in cash. These acquisitions resulted in the preliminary recognition of \$323,477 of goodwill, \$202,708 of property and equipment, \$4,300 of intangible assets related to customer relationships, \$3,970 of intangible assets related to covenants not to compete, and \$9,665 of net liabilities. In connection with the Downtowner Car Wash acquisition, the Company recognized a contingent consideration liability of \$5,750. See Note 10 Fair Value Measurements for additional information regarding the contingent consideration liability. During the year ended December 31, 2022, as a result of receiving \$11,845 in escrow funds associated with an acquired location that did not receive zoning permits as required under the purchase agreement, the Company recorded an adjustment during the measurement period to its Clean Streak Ventures LLC purchase price allocation which reduced goodwill by \$10,670 and land by \$1,175. Additional adjustments related to 2021 acquisitions were not material in the current year.

The weighted-average amortization periods for the acquired customer relationships and covenants not to compete are 7.0 years and 5.0 years, respectively.

The acquisitions were located in the following markets:

Location (Seller)	Number of Washes	Month Acquired
Florida (Superwash Express)	5	June
Texas (Super Suds Car Wash)	1	July
Texas (Daddy O's Car Wash)	3	November
Florida (Downtown Car Wash)	5	December
Florida (Clean Streak Ventures LLC)	23	December

Unaudited Supplemental Pro Forma Information

The following table presents unaudited supplemental pro forma information for the periods presented as if the business combinations had occurred on January 1, 2020:

	Year Ended December 31,	
	2021	2020
Net revenues	\$ 67,667	\$ 41,343
Net income	\$ 18,423	\$ 13,178

The pro forma results presented above primarily include amortization charges for acquired intangible assets, depreciation adjustments for property and equipment that has been revalued, adjustments for certain acquisition-related charges, and the related tax effects. The pro forma information is presented for information purposes only and is not indicative of the results of operations that would have been achieved if the acquisitions had taken place at such time.

For the year ended December 31, 2021 the revenues and earnings of the acquisitions reflected in the accompanying consolidated statements of operations and comprehensive income (loss) were \$8,283 and \$1,847, respectively.

2020 Acquisitions

For the year end December 31, 2020, the Company acquired the assets and liabilities of ten conveyORIZED car washes in four separate acquisitions for total consideration of approximately \$33,584, which was paid in cash. These acquisitions resulted in the recognition of \$21,467 of goodwill, \$9,463 of property and equipment, \$830 of intangible assets related to covenants not to compete, and \$1,824 in other assets and liabilities.

The acquisitions were located in the following markets:

Location (Seller)	Number of Washes	Month Acquired
Florida (Love)	1	January
Washington (Bush)	7	September
Texas (Soapbox Express)	1	November
Florida (Avatar)	1	December

17. Dispositions

On December 1, 2020, the Company entered into an Asset Purchase Agreement to sell 27 quick lube facilities for \$55,386 to an unrelated third party, subject to certain inventory value adjustments. The sale of the quick lube facilities is in line with the Company's focus on growing its car wash business. The sale was effective on December 11, 2020. The disposition of the quick lube facilities did not meet the criteria to be reported as a discontinued operation and accordingly, its results of operations have not been reclassified. A gain totaling \$29,773 was recognized on the sale during the year ended December 31, 2020, which is recorded as (gain) loss on sale of assets in the accompanying consolidated statement of operations and comprehensive income (loss).

As part of the sale and sublease of the quick lube facilities, the Company agreed to indemnify the buyer/subtenant for certain liabilities if they occurred or arose prior to or on the closing date, subject to a specified cap in some instances. The Company is not aware of any such liabilities or attendant indemnification obligations that require accrual at December 31, 2022.

18. Related-Party Transactions

Leonard Green Partners ("LGP"), the majority owner of the Company, historically received \$1,000 annually for various advisory and monitoring services provided to the Company. During the COVID-19 pandemic, these fees were waived for the remainder of 2020. The management services agreement with LGP that provided for the advisory and monitoring services terminated in June 2021 upon the consummation of the IPO.

For years ended December 31, 2022, 2021 and 2020, total fees and expenses paid by the Company to LGP were \$0, \$500, \$250, respectively. Fees and expenses paid to LGP are included in general and administrative expenses in the accompanying consolidated statements of operations and comprehensive income (loss).

LGP was one of the Company's creditors under the Second Lien Credit Agreement with an investment of \$5,625 allowed through the Amended Second Lien Credit Agreement. The Company made a voluntary prepayment of all outstanding balances under the Second Lien Term Loan in June 2021 (see Note 9 Debt).

19. Commitments and Contingencies

Litigation

From time to time, the Company is party to pending or threatened lawsuits arising out of or incident to the ordinary course of business. The Company carries professional and general liability insurance coverage and other insurance coverages. In the opinion of management and upon consultation with legal counsel, none of the pending or threatened lawsuits will have a material effect upon the consolidated financial position, operations, or cash flows of the Company.

Insurance

The Company carries a broad range of insurance coverage, including general and business auto liability, commercial property, workers' compensation, cyber risk, and general umbrella policies. As of December 31, 2022 and 2021, the Company accrued \$3,230 and \$3,169, respectively, for assessments on insurance claims filed, which are included in other accrued expenses in the accompanying consolidated balance sheets. As of December 31, 2022 and 2021, the Company recorded \$2,627 and \$2,594, respectively, in other receivables from its non-healthcare insurance carriers related to these insurance claims, which are included in other receivables in the accompanying consolidated balance sheets. The receivables are paid when the claim is finalized and the reserved amounts on these claims are expected to be paid within one year.

Environmental Matters

Operations at certain facilities currently or previously owned or leased by the Company utilize, or in the past have utilized, hazardous substances generally in compliance with applicable law. Periodically, the Company has had minor claims asserted against it by regulatory agencies or private parties for environmental matters relating to the handling of hazardous substances by the Company, and it has incurred obligations for investigations or remedial actions with respect to certain of these matters. There can be no assurances that activities at these facilities, or future facilities owned or operated by the Company, may not result in additional environmental claims being asserted against the Company or additional investigations or remedial actions being required. The Company is not aware of any significant remediation matters as of December 31, 2022. Because of various factors including the difficulty of identifying the responsible parties for any particular site, the complexity of determining the relative liability among them, the uncertainty as to the most desirable remediation techniques and the amount of damages and clean-up costs and the time period during which such costs may be incurred, the Company is unable to reasonably estimate the ultimate cost of claims asserted against the Company related to environmental matters; however, the Company does not believe such costs will be material to its consolidated financial statements.

In addition to potential claims asserted against the Company, there are certain regulatory obligations associated with these facilities. The Company also has a third-party specialist to review the sites subject to these regulations annually, for the purpose of assigning future cost. A third party has conducted a preliminary assessment of site restoration provisions arising from these regulations and the Company has recognized a provisional amount. As of December 31, 2022 and 2021, the Company recorded an environmental remediation accrual of \$12, which is included in other accrued expenses in the accompanying consolidated balance sheets.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

None.

Item 9A. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

In order to ensure that the information we must disclose in our filings with the SEC is recorded, processed, summarized and reported on a timely basis, we have developed and implemented disclosure controls and procedures. Our management, with the participation of our Chairperson, President and Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of our disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the “Exchange Act”)) as of the end of the period covered by this Annual Report on Form 10-K. Based on that evaluation, our management, including the President and Chief Executive Officer and Chief Financial Officer, has concluded that our disclosure controls and procedures were effective as of December 31, 2022 in ensuring that information required to be disclosed in the reports that we file or submit under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms and is accumulated and communicated to our management, including the President and Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

Changes in Internal Control over Financial Reporting

There were no changes in our internal controls over financial reporting that occurred during the fourth quarter of 2022 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Management’s Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Exchange Act Rule 13a-15(f).

Using criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in Internal Control-Integrated Framework (2013 framework), our management assessed the effectiveness of our internal control over financial reporting as of December 31, 2022.

Based on this assessment, management concluded that, as of December 31, 2022, our internal control over financial reporting was effective to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with U.S. GAAP.

The independent registered public accounting firm, Deloitte & Touche LLP, has also audited the effectiveness of our internal control over financial reporting as of December 31, 2022. Their report is included herein.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the stockholders and the Board of Directors of Mister Car Wash, Inc.:

Opinion on Internal Control over Financial Reporting

We have audited the internal control over financial reporting of Mister Car Wash, Inc. and subsidiaries (the “Company”) as of December 31, 2022, based on criteria established in *Internal Control — Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2022, based on criteria established in *Internal Control — Integrated Framework (2013)* issued by COSO.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated financial statements as of and for the year ended December 31, 2022, of the Company and our report dated February 24, 2023, expressed an unqualified opinion on those financial statements.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ Deloitte & Touche LLP

Tempe, Arizona
February 24, 2023

Item 9B. Other Information

None.

Item 9C. Disclosure Regarding Foreign Jurisdictions that Prevent Inspections

Not applicable.

PART III

Item 10. Directors, Executive Officers and Corporate Governance

Information responsive to this item is incorporated herein by reference to our Proxy Statement with respect to our 2023 Annual Meeting of Stockholders to be filed with the SEC within 120 days after the end of our fiscal year covered by this Annual Report on Form 10-K.

Code of Conduct

Our board of directors has adopted a code of conduct (the “Code of Conduct”) applicable to all of our directors, officers (including our principal executive officer, principal financial officer, principal accounting officer, controller or persons performing similar functions) and employees. Our Code of Conduct is available on our website at www.mistercarwash.com under Investor Relations. Our Code of Conduct is a “code of ethics” as defined in Item 406(b) of Regulation S-K. We intend to make any legally required disclosures regarding amendments to, or waivers of, provisions of our Code of Conduct on our website to satisfy requirement under Item 5.05 of Form 8-K.

Item 11. Executive Compensation

Information responsive to this item is incorporated herein by reference to our Proxy Statement with respect to our 2023 Annual Meeting of Stockholders to be filed with the SEC within 120 days after the end of our fiscal year covered by this Annual Report on Form 10-K.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

Information responsive to this item is incorporated herein by reference to our Proxy Statement with respect to our 2023 Annual Meeting of Stockholders to be filed with the SEC within 120 days after the end of our fiscal year covered by this Annual Report on Form 10-K.

Item 13. Certain Relationships and Related Transactions, and Director Independence

Information responsive to this item is incorporated herein by reference to our Proxy Statement with respect to our 2023 Annual Meeting of Stockholders to be filed with the SEC within 120 days after the end of our fiscal year covered by this Annual Report on Form 10-K.

Item 14. Principal Accountant Fees and Services

Information responsive to this item is incorporated herein by reference to our Proxy Statement with respect to our 2023 Annual Meeting of Stockholders to be filed with the SEC within 120 days after the end of our fiscal year covered by this Annual Report on Form 10-K.

PART IV

Item 15. Exhibits, Financial Statement Schedules

(a) The following documents are filed as part of this report:

1. Consolidated financial statements: All consolidated financial statements as set forth under Part II, Item 8 of this Annual Report on Form 10-K.
2. Supplementary Financial Statement Schedules: Supplementary schedules have not been included because they are not applicable or because the information is included elsewhere in this report.
3. Exhibits:

Exhibit Number	Description	Form	File. No	Exhibit	Filing Date	Furnished Herewith
2.1+	Equity Purchase Agreement, dated December 8, 2021, by and among Sunshine Acquisition Sub Corp., Clean Streak Ventures, LLC, MDKMH Partners, Inc., Clean Streak Ventures Intermediate Holdco, LLC (the "CSV Seller"), MKH Capital Partners Offshore Fund I, LP (the "CSV Blocker Seller" and together with the CSV Seller, each a "Seller" and together the "Sellers"), and Clean Streak Ventures Holdco, LLC, as the representative of the Sellers.	10-Q	001-40542	2.1	05/13/2022	
3.1	Amended and Restated Certificate of Incorporation of the Company	8-K	001-40542	3.1	07/02/2021	
3.2	Amended and Restated Bylaws of the Company	8-K	001-40542	3.2	07/02/2021	
4.1	Description of Capital Stock	10-K	001-40542	4.1	03/25/2022	
10.1	Amended and Restated Shareholders Agreement, dated June 29, 2021, among the Company and certain of its shareholders	8-K	001-40542	10.1	07/02/2021	
10.2	Second Amendment to the First Lien Term Loan Agreement, dated June 4, 2021, by and among Mister Car Wash Holdings, Inc. and the parties thereto named therein	S-1/A	333-256697	10.1(b)	6/17/2021	
10.3	Amended and Restated First Lien Term Loan Agreement, dated May 14, 2019, by and among Mister Car Wash Holdings, Inc. and the parties thereto named therein	S-1	333-256697	10.1	06/02/2021	
10.4	First Amendment to the Amended and Restated First Lien Term Loan Agreement, dated February 5, 2020, by and among Mister Car Wash Holdings, Inc. and the parties thereto named therein	S-1	333-256697	10.1(a)	06/02/2021	
10.5	Second Amendment to the First Lien Term Loan Agreement, dated June 4, 2021, by and among Mister Car Wash Holdings, Inc. and the parties thereto named therein	S-1	333-256697	10.2	06/02/2021	
10.6	First Amendment to the Second Lien Term Loan Agreement, dated March 31, 2020, by and among Mister Car Wash Holdings, Inc. and the parties thereto named therein	S-1	333-256697	10.2(a)	06/02/2021	
10.7	Third Amendment to the First Lien Term Loan Agreement, dated December 8, 2021, by and among Mister Car Wash Holdings, Inc. and the parties thereto named therein	10-K	001-40542	10.7	03/25/2022	
10.8†	2014 Stock Option Plan of Hotshine Holdings, Inc.	S-1	333-256697	10.3	06/02/2021	

	Form of Option Agreement under the 2014 Stock Option Plan of Hotshine Holdings, Inc. Form of Option Agreement under the 2014 Stock Option Plan of Hotshine Holdings, Inc.	S-1	333-256697	10.3(a)1	06/02/2021	
10.9†	Mister Car Wash, Inc. 2021 Incentive Award Plan	S-1A	333-256697	10.4	06/17/2021	
10.10†	Mister Car Wash, Inc. 2021 Employee Stock Purchase Plan	S-1A	333-256697	10.12	06/17/2021	
10.11†	Mister Car Wash, Inc. Executive Severance Plan	S-1A	333-256697	10.13	06/17/2021	
10.12†	Non-Employee Director Compensation Policy	S-1A	333-256697	10.5	06/17/2021	
10.13†	Form of Indemnification and Advancement Agreement	S-1A	333-256697	10.6	06/17/2021	
10.14†	Employment Agreement with John Lai	10-K	001-40542	10.14	03/25/2022	
10.15†	Form of Option Agreement under the Mister Car Wash, Inc. 2021 Incentive Award Plan	S-1A	333-256697	10.10	06/17/2021	
10.16†	Form of RSU Agreement under the Mister Car Wash, Inc. 2021 Incentive Award Plan	S-1A	333-256697	10.11	06/17/2021	
10.17†	Mister Car Wash, Inc. 2021 Employee Stock Purchase Plan	S-1A	333-256697	10.12	06/17/2021	
10.18†	Mister Car Wash, Inc. Executive Severance Plan	S-1A	333-256697	10.13	06/17/2022	
10.19†	Transition Agreement, dated June 21,2022, by and between Mister Car Wash, Inc. and Lisa Funk	8-K	001-40542	10.1	06/24/2022	
10.20	Fourth Amendment to the First Lien Term Loan Agreement, dated December 12, 2022, by and among Mister Car Wash Holdings, Inc. and the parties thereto named therein					*
21.1	List of subsidiaries of Mister Car Wash, Inc.					*
23.1	Consent of Deloitte & Touche LLP, independent registered public accounting firm					*
31.1	Certification of Chief Executive Officer pursuant to Rule 13a-14(a)/15d-14(a)					*
31.2	Certification of Chief Financial Officer pursuant to Rule 13a-14(a)/15d-14(a).					*
32.1	Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350.					**
32.2	Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350.					**
101.INS	Inline XBRL Instance Document – the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document					*
101.SCH	Inline XBRL Taxonomy Extension Schema Document					*
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document					*
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document					*
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document					*
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document					*
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)					*

* Filed herewith.

** Furnished herewith.

† Indicates management contract or compensatory plan.

+ Schedules have been omitted pursuant to Item 601(a)(5) of Regulation S-K. The Company undertakes to furnish supplemental copies of any of the omitted schedules upon request by the SEC.

Item 16. Form 10-K Summary

None.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Mister Car Wash, Inc.

Date: February 24, 2023

By: _____
/s/ John Lai
John Lai
Chairperson, President and Chief Executive Officer
(Principal Executive Officer)

Date: February 24, 2023

By: _____
/s/ Jedidiah Gold
Jedidiah Gold
Chief Financial Officer
(Principal Financial and Accounting Officer)

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Signature	Title	Date
/s/ John Lai John Lai	Chairperson, President and Chief Executive Officer (principal executive officer)	February 24, 2023
/s/ Jedidiah Gold Jedidiah Gold	Chief Financial Officer (principal financial and accounting officer)	February 24, 2023
/s/ John Danhaki John Danhaki	Director	February 24, 2023
/s/ Jonathan Seiffer Jonathan Seiffer	Director	February 24, 2023
/s/ J. Kristofer Galashan J. Kristofer Galashan	Director	February 24, 2023
/s/ Jeffrey Suer Jeffrey Suer	Director	February 24, 2023
/s/ Jodi Taylor Jodi Taylor	Director	February 24, 2023
/s/ Dorvin Lively Dorvin Lively	Director	February 24, 2023
/s/ Ronald Kirk Ronald Kirk	Director	February 24, 2023
/s/ Veronica Rogers Veronica Rogers	Director	February 24, 2023

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Board of Directors**Position**

John Lai	Chairperson, President and Chief Executive Officer of Mister Car Wash, Inc.
John Danhaki	Managing Partner, Leonard Green & Partners, L. P.
J. Kristofer Galashan	Partner, Leonard Green & Partners, L. P.
Ronald Kirk	Senior Of Counsel, Gibson, Dunn & Crutcher LLP
Dorvin Donald Lively	Former President, Planet Fitness, Inc.
Veronica Rogers	Former Senior Vice President, Head of Global Sales and Business Operations, Sony Interactive Entertainment LLC
Jonathan Seiffer	Senior Partner, Leonard Green & Partners, L. P.
Jeffrey Suer	Partner, Leonard Green & Partners, L. P.
Jodi Taylor	Former Chief Financial Officer, Container Store Group, Inc.

Executive Officers**Position**

John Lai	President and Chief Executive Officer
Jedidiah Gold	Chief Financial Officer
Mayra Chimienti	Chief Operating Officer
Markus Hartmann	General Counsel

Shareholder Information**Stock Exchange Information**

Mister Car Wash common stock is traded on the New York Stock Exchange (NYSE) under the symbol "MCW"

Transfer Agent

American Stock Transfer and Trust Company
6201 15th Avenue
Brooklyn, NY 11219
(800) 937-5449
astfinancial.com

Investor Relations

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Independent Registered Public Accounting Firm

Deloitte & Touche LLP
Tempe, AZ

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